



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 87th CONGRESS, FIRST SESSION

Vol. 107

WASHINGTON, MONDAY, OCTOBER 16, 1961

No. 175

Appendix

NOTICE

The last issue of the daily Congressional Record for the first session of the Eighty-seventh Congress will be published not later than Tuesday, October 17, 1961. It is requested that copy and proofs of speeches withheld for revision, or extensions of remarks as authorized by either House, be submitted to the Government Printing Office or to the Congressional Record Clerk, Statuary Hall, Capitol, before that date.

By order of the Joint Committee on Printing.

CARL HAYDEN, Chairman.

Comments on Accomplishments of 1st Session, 87th Congress

EXTENSION OF REMARKS OF

HON. VANCE HARTKE

OF INDIANA

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. HARTKE. Mr. President, I ask unanimous consent to have printed in the Appendix of the RECORD, my comments on the accomplishments of this 1st session of the 87th Congress for the benefit of my constituents in the great State of Indiana.

There being no objection, the comments were ordered to be printed in the RECORD, as follows:

The 1st session of the 87th Congress was one of activity and action, programs and progress.

It began, of course, as a new administration came to office. But it inherited many serious problems. Unemployment was high; farm income was low and dropping. Businesses were falling faster than in the great depression. The world was aflame. Cuba was Castro's. Laos and Vietnam were threatened. The Congo crisis was boiling. Berlin's coming events cast their shadow.

Against this backdrop of serious and ominous events, Congress and the administration went to work. First things were tackled first.

The hungry were fed and programs to stimulate the economy were enacted. Busi-

ness was boosted. Credit was eased. Confidence was restored.

Our defenses were given new muscle. Aid for our allies was changed to cut out waste and inefficiency.

The farm problem was attacked with a new program. Congress, with the leadership of the new administration, set to work to build more and better homes, build our water resources, stamp out crime and rebuild our cities and areas suffering from chronic unemployment.

The President's 203 recommendations to Congress for new laws were the highest number in many years. Congress' action in voting 124 of these was also the highest number in years and the highest percentage of performance in years. Yet, Congress did not railroad legislation through nor did it rubberstamp. The budget recommendations for the bookkeeping year which began on July 1 were cut \$1,368,993,290.

This was a hard-working Congress, involving long hours in committee and long days in session. Senate committees reported favorably on 1,239 measures, of which 1,133 were passed. We confirmed 4,164 persons for policymaking jobs in the new administration and 48,962 military officers for appointment or promotion.

It was my privilege to work on committees which were among those that contributed heavily to the accomplishments of the 87th Congress. In Finance Committee, we wrote the new social security benefits and new veterans' benefits as well as the new highway financing program. In Commerce, we wrote legislation on piracy in the skies, worked on safer air travel, expanded weather research, provided for exploration of the oceans for navigation, defense and food. In the District of Columbia Committee we made it possible for the people of Washing-

ton to vote for President and we attacked the juvenile delinquency problems.

It is, of course, impossible to list all the accomplishments of Congress and how the citizens of Indiana specifically will benefit. I shall, however, list some of the important bills passed and summarize how our State has benefited from some of these laws and from important programs administered by the Federal Government.

NATIONAL DEFENSE AND FOREIGN RELATIONS

In these days of international crises and threats from the Soviet Union, the most important work in Washington remains our efforts to keep the peace and to insure adequate defenses. There is no question but that our efforts were lagging. Much of the funds provided by Congress during the previous administration were not used. The Polaris submarine program through which we are able to hold nuclear bombs beneath the seas in readiness was one which Congress forced upon a reluctant administration.

This year we voted \$6 billion more for defense than the previous administration had asked for. (The budget for the bookkeeping year starting last July 1 was prepared by the outgoing administration and revised by President Kennedy.) This allows doubling the Polaris program, beefs up our missile production, increases our bomber alert and strengthens us for guerrilla-type and other limited warfare such as we may encounter in Berlin. We also gave the President authority to call up reserves and we provided new muscle for the civil defense program.

While we arm for possible war, we cannot overlook the hope that some day we may find the elusive peace we long for. Thus, this Congress provided for creation of a Disarmament Administration, which may eventually be our great hope for permanent peace. We also created a Peace Corps, as requested by the President, to bring American know-how to the underdeveloped countries of the globe. This, too, promotes friendship and peace and will help other nations help themselves to achieve what we have been able to under freedom. Unless the downtrodden countries and peoples of the world find prosperity and security under freedom, they will experiment with communism.

This, too, is the essence of the Alliance for Progress, the modern "good neighbor" program for Central and South America which holds great hope for maintaining freedom in our hemisphere.

I look forward to the day when foreign aid will stop. Twice, as a delegate to the NATO meetings, I have told delegates from other nations that the burden of foreign aid is something that others should share

with us and that the burden on American taxpayers must be lightened. The new administration is now trying, through long-term commitments and reorganization, to end waste and inefficiency. Congress has supported their efforts. These new concepts were backed in the Senate by 78 percent of the Democrats and 65 percent of the Republicans.

It is important to note that the foreign aid program does not cost American jobs. Actually it makes jobs for U.S. workers. Most of the foreign aid funds are spent here in the United States to buy goods made by U.S. workers. About three-fourths of aid funds have been spent in the United States—it is expected to reach 80 percent soon—and a recent study showed that it is responsible for 800,000 American jobs. By promoting prosperity of countries abroad, the aid program results in an enormous expansion of U.S. export markets, thus creating more job opportunities for American workers.

The total moneys proposed for all foreign aid programs is less than two-thirds of what America spends on tobacco every year and about half of America's expenditure for liquor.

I hope that my constituents thus are not misled into believing then, that foreign aid does not bolster our economy at home. The program helps as much as it assists our neighbors abroad.

Further it should be emphasized that not one church denomination, to my knowledge, voiced a dissenting opinion on the administration's proposed foreign aid program. The churches viewed the foreign aid program, as an act of "doing unto others as one would have others do unto them."

In Indiana, a total of \$1,101,289 was spent under the mutual security program—the so-called foreign aid—the 17th highest in the Nation—for freight and commodities of Hoosier products, for the fiscal year of 1960.

The following Indiana firms and cities which benefited under this program are: Cummins Engine Co., Inc., Columbus, \$43,143; Roots-Connorsville Blower Division, Connorsville, \$4,122; Mead-Johnson & Co., Evansville, \$57,646; Admiral Products, \$1,338; McClumpha Overseas, Inc., \$77,970; Symington Wayne Corp., \$4,924; Utility Products Co., \$6,861; World Bestos, \$4,880 (all Fort Wayne); Diamond Chain Co., Inc., \$107,453; General Grain Inc., \$128,676; Eli Lilly & Co., \$50,145; P. R. Mallory & Co., Inc., \$1,856 (all Indianapolis); Joy Manufacturing Co., \$103,746, Michigan City; South Bend Lathe Works, \$1,615; and Studebaker-Packard Corp., \$506,915, South Bend.

It is interesting to note also that from January 1954 until the beginning of this fiscal year, Indiana realized over \$11 million in the foreign-aid program. I personally voted also to prevent any aid from going into the hands of Communist countries. I am pleased to see that President Kennedy has taken action against some satellites and so-called neutrals since Congress has adjourned.

FOREIGN TRADE

When we began our session last January, America faced a serious drain on gold reserves. It was a real danger to the value of our money. This has been reversed by various means. Congress itself took several effective steps to stop this dangerous trend.

We passed certain incentives for foreign banks so that they would not insist on payments in gold. We reduced exemptions on goods America can import. We created an Office of International Travel to encourage travel by foreigners in this country. This last is a move taken by the Commerce Committee, of which I am a member. One-third of our gold drain was because we had more of our people traveling abroad and spending our money than there were foreign visitors to this country spending their money.

One bill which gained too little attention was the oceanography measure, on which I

worked in the Commerce Committee. The Russians were getting far ahead of us in charting the ocean floor. This is important to navigation, to defense and to commercial fishermen. The new law will help us catch up.

ANTIRECESSION MEASURES

Now that unemployment is falling and business is better, it is easy to forget the plight of the Nation's economy just a year ago. In the outgoing administration, there were jokes, but little action against this rising and dangerous tide.

Soon after we began this session, we took immediate steps to combat the recession. We passed a bill giving temporary extension of jobless benefits to more than 600,000 persons who had exhausted their benefits. We voted aid to dependent children whose jobless fathers were unable to support them. And we voted special loans and grants to communities which had high unemployment and few job opportunities over a period of many months and years.

Eleven of Indiana's 92 counties—containing about 400,000 Hoosiers—are eligible for help in getting over their own local recessions. These are Clark, Crawford, Henry, Harrison, Monroe, Ohio, Orange, Perry, Ripley, Switzerland, and Vanderburgh Counties.

GETTING MOVING AGAIN

To get the country moving forward again, this Congress worked in many fields.

The greatest impact is being felt in the improvement we made in the minimum wage. We increased coverage for the first time since 1938, bringing in about 150,000 Hoosiers not previously covered. And we provided for raising the minimum wage to \$1.25 an hour in two steps, providing a new minimum for more than a million Hoosier workers.

Over the next few months, great impact also will be felt in the new Housing Act. It will give low-cost housing to 100,000 low-income families. It will allow hundreds of thousands of middle-income families to own their own homes. Thousands have already found that lower downpayments and extended periods of credit make it easier than ever to build or buy.

This year, the Housing Act has taken into consideration the commuting problems of big-city people and provides help for better public transportation. It also provides improved help to cities for community facilities such as sewers and other projects. This new law also has wisely provided for holding and developing future park and playground land as cities expand.

In our State, 170,000 homes were financed through FHA-insured loans. More than 10,500 apartments were built with FHA-guaranteed mortgages and more than 800,000 FHA home improvement loans had been used. These all will be speeded up and expanded.

The public housing provisions, which will aid the low-income families, will help Indiana greatly because of the backlog of plans for such units throughout our State. There are 4,600 apartments in 28 low-rent projects in Indiana now. There are 205 more under construction and 1,250 in planning stages, indicating the demand and the need.

Such housing is now being constructed in Indiana in New Albany, South Bend, Mishawaka, Evansville, Michigan City, and Terre Haute. We are pleased to have assisted these communities in pushing their programs forward.

Connected with the housing program is urban renewal—slum clearance. This is an effective Federal-State-private enterprise program to rebuild blighted areas. A dozen Indiana communities are engaged in this work now, with 14 projects going. Eventually, these will cost \$162 million, of which \$125 million will be in private enterprise funds. Newest projects are in Anderson,

Bloomington, Fort Wayne, Kingsford Heights, La Porte, Marion, Michigan City, and Mishawaka.

Eight Indiana communities have borrowed interest-free funds to build needed community facilities. Up to now, these loans have been concentrated in major cities. The new law concentrates on those cities under 50,000 that need such planning help before they can float bond issues and begin work. This year we have worked with Terre Haute and New Albany on such projects. In New Albany they are building a needed hospital and in Terre Haute a much-needed sewer.

The Housing Act also assists colleges and universities in building dormitories to meet their expanded needs. Thirty such projects have been OK'd for our State with Hoosier colleges and universities borrowing \$40 million. In these days of necessary higher education, this contribution cannot be over-emphasized. Five Indiana schools during the past year availed themselves of these low-interest loans: Ball State, Muncie; Indiana State, Terre Haute (twice); St. Francis, Fort Wayne; Oakland City, and Notre Dame. They borrowed more than \$8 million.

Eleven projects are underway in Indiana to provide housing for the elderly under various Federal programs.

The importance of the work of Congress this year in the field of agriculture cannot be overemphasized. The problem inherited at the beginning of this year was peculiar; food prices were going up and the farmers' income was dropping to depression levels.

We passed an emergency feed grains program and a new farm program. Farm income is now up and rising. It is estimated that total farm income is up \$1 billion a year over last year. Yet, surpluses are being cut so that the taxpayer will save \$800 million a year in storage costs alone. Two billion dollars worth of surpluses were taken to feed the hungry here and in friendly overseas countries. Some surpluses were sold to make up for production from land that had been taken out of production with proceeds from these sales going to farmers to make up for the food they did not sell from the lands they did not plant. Meanwhile, the housewife is finding that food prices have not increased.

WATER RESOURCES

The long-term value of our water resources and the value in developing them and controlling them cannot be stressed too much. Business, industry, and human life depend upon safe and adequate supplies of water. Yet, millions of dollars worth of damage occurs every year because of uncontrolled water. On the one hand, we find our water supplies polluted or dwindling. On the other, we find life and property damaged because of uncontrolled water. A stream which in summer may be so dry as to constitute a water supply problem and create a health menace, may in spring constitute a direct threat to homes and business and lives and may wash away tons of valuable top soil because there is too much water.

For many years Indiana was left behind on water resource protection and development. We are, at last, beginning to get somewhere near our share. And we are beginning, at last, to solve the problems.

I am the author of the Wabash Basin Interagency bill, which has passed the Senate and is now pending action by the House. This would give us the tools we need for development and protection of the Wabash Valley, which is 70 percent of Indiana. Passage of this bill is one of the key water resource measures listed by the Senate leadership.

I am equally proud of our work in obtaining needed funds for water projects in Indiana, especially since several of them were added in the Senate. During the current bookkeeping year construction will go for-

ward on the following flood control projects: Monroe, Mississinewa, and Salamonie Reservoirs and Niblack, West Terre Haute, Evansville, and Unite No. 5 levees. The Huntington Reservoir will be brought to the stage where it is ready for building.

Planning of the Uniontown locks and dam on the Ohio will be completed this year and construction of the following navigation projects will go forward: Markland, McAlpine, and Cannelton Dams on the Ohio, and Indiana Harbor and Calumet Harbors on Lake Michigan. In addition, work continues on the Calumet Harbor breakwater.

The following studies are being financed through the Corps of Engineers for possible future projects: Gary Small Peat Harbor, Great Lakes Water Level, Kankakee River (including the Yellow River near Plymouth), Little Calumet, Maumee Basin, Ohio Basin, Wabash Basin (including Vermillion River, Wolf Creek, Sugar Creek, Big Pine Creek, and Wildcat Creek), Whitewater River Basin, Oil Creek, Pigeon Creek, and the White River Basin including Monroe Reservoir, Salt Creek, East Fork of the Muscatatuck River, Big Graham Creek, Big Camp Creek, Sand Creek, Clifty Creek, Flat Rock Creek, Blue River, Indian Creek, Deer Creek, Beanblossom Creek, Richland Creek, Guthrie Creek, and Walnut Creek.

Watershed projects, which were approved this year under our Agriculture Department program are the middle fork of the Anderson River and French Lick Creek.

Congress has also provided for research funds with which to seek a breakthrough in finding ways to convert sea water into fresh water.

We also provided a 5-year program for helping local communities solve pollution problems. When a stream or a lake is polluted, the damage extends to many other communities, perhaps in other States. Therefore, there has been great need for Federal direction and assistance.

The backlog of communities who want to participate to end pollution and insure pure water supplies is lengthy. Dozens are waiting in Indiana alone for assistance in this field. The new law will help them. The State will receive \$112,900 a year for administration of the new program instead of \$63,100 up to now. A community in Indiana which was formerly limited to \$250,000 in Federal grant money can now get up to \$600,000 and several communities can pool their efforts to qualify for up to \$2,400,000. Construction grants are also increased and this year Indiana communities will share in \$1,673,480 worth of grants.

Grants were made this year for sewage treatment plants to: Andrews, Fortville, Marion, Nappanee, Nashville, Waterloo, Yorktown, and Zionsville.

SENIOR CITIZENS AND THE HANDICAPPED

In addition to the housing assistance for the elderly, this Congress made substantial progress in the social security field in assisting the ill, the handicapped, and the aged.

I am particularly proud that my efforts to provide for optional retirement of men at age 62 bore fruit. This provision was adopted. In addition, the social security law benefits were increased for those drawing the minimum amounts. It is estimated that 136,000 people in Indiana will receive \$23.7 million in additional benefits through these changes which we first ratified in Finance Committee.

Restrictions also have been eased for eligibility for benefits and the pension paid to aged widows was raised.

My amendment to allow retired persons to earn more in part-time employment was adopted. I am hopeful that my bills to assist the blind in gaining greater benefit also will be adopted early next session. The Senate also took action to aid schools for the handicapped. Among those which will benefit is the Indiana School for the Deaf.

EFFORTS FOR HOOSIER BUSINESS AND INDUSTRY

In March of this year, I sponsored the first Washington Conference of Business and Local Government. Mayors, county officials, chamber of commerce executives and businessmen throughout the State attended. This one-day meeting brought these Hoosiers, representing virtually every community in the State except rural centers, together with representatives of Federal Government agencies.

These agency representatives were on hand to assist in coordination of efforts for such projects as stream pollution control, airport construction and rebuilding of depressed areas. But they were also on hand to help in business and industry problems in such fields as Small Business Administration and aid in selling products to the Government and to foreign countries.

The conference was so successful other Senators began holding similar meetings.

We have worked very closely with representatives of individual businesses and industries in an effort to help them. Sometimes this meant assisting them in appointment with Defense officials; sometimes this meant work with Small Business Administration; sometimes with such agencies as General Services Administration, the Federal Government's purchasing and building agency.

The success of such Hoosier industries as Magnavox, International Harvester, Allison, Avco, Bendix, Studebaker and many smaller ones attests to our hard work. Through our efforts we have brought electronics, automotive, missile, truck, jet and other production dollars to our State. In the bookkeeping year just ended, Indiana received \$353,202,000 worth of military contracts—1.6 percent of the total. This was better than previously, but not as much as our fair share. Recently awarded contracts, among them the Typhon missile system, sonobuoy work, radios and vehicle production should raise this during the current bookkeeping year.

Because of my position with the Finance Committee, I am often called upon to work with business and industry on taxation problems. In this session of Congress, my amendment on taxation of the clay products industry was adopted. The clay industry people have stated that my amendment has saved many Hoosier businesses in this field from bankruptcy.

My efforts have been equally diligent on behalf of the coal industry and the oil producers. In this connection, I have met with the Secretary of the Interior in connection with control of imports of residual oil which competes with domestic oil and coal production. I strongly supported a resolution directing a national fuel policy study, now being undertaken that should aid Indiana.

Some three dozen outstanding professors at Indiana colleges and universities have agreed to work with me as a sort of advisory group. After this group was organized, we had a highly successful meeting in Indianapolis with representatives of nearly all Indiana institutions of higher learning. The professors work with us in analyzing legislation and problems and in suggesting remedies.

Our office maintains close working arrangements with various groups representing all segments of Hoosier economy.

VETERANS

As a member of the Finance Committee, I have worked hard for better legislation for veterans. We had moderate success with GI bill for cold war veterans. Congress did pass extensions of home loan guarantees and direct loan programs for veterans of World War II and the Korean conflict. These programs are brought in line with present-day costs and with the new and better FHA housing program. The direct loans, for instance, now may go as high as \$15,000.

As an indication of the desirability of these programs, Indiana veterans have used 108,450 guaranteed loans and 6,396 direct loans since the beginning of the VA programs. Total value of these loans is \$815,866,531.

Further, I have introduced legislation (S. 468) which would provide veterans of World War I a \$100 monthly pension. This bill is pending before the Finance Committee, and I shall work toward this goal.

TRANSPORTATION

Congress this year made several important strides in the transportation field. Financing of the Interstate Highway System was revised and the whole building program revamped. I only regret that I was unable to have my own amendment adopted that would have resulted in earlier completion of the System without disturbing the solvency of the program.

The 1961 act allots funds for interstate construction from 1963 through 1966. Indiana will receive \$59,273,700 for this kind of highways in 1963. Additional funds will be available from later allocations.

During the fiscal year just ended Indiana received \$51,798,132 in Interstate Highway System funds. In addition, more than \$31 million was assigned for other Federal-State highway programs.

We on the Commerce Committee were shocked to learn that hijacking of airplanes was not a Federal offense. Since it is difficult to decide exactly in what State a crime of this kind occurs on a fast jet and since piracy is a crime which Congress can punish, we worked out a series of laws covering this kind of offense. It seems to have had the desired effect in that hijacking has stopped.

This year we also authorized a 5-year program for construction and modernization of airports. The new program will mean additional funds for Indiana communities which will be matched locally for safer and better airports.

In the fiscal year just ended, Indiana cities received \$2,301,220 in Federal funds for airport construction. Cities which shared in these funds are: Bloomington, Elkhart, Evansville, Fort Wayne, Goshen, Indianapolis, Marion, Muncie, South Bend, and Valparaiso.

HEALTH PROGRAMS

Congress this year provided \$50 million for each of the next 5 years for Federal-State programs to help care for the chronically ill and aged. We also provided \$10 million a year for grants to colleges and universities to improve health services and care for these people.

The Hill-Burton Act through which many communities are able to begin hospital construction or expansion was extended. This has been an important law for our Indiana cities. During the past year, for instance, the following hospital construction was helped in our State: Auburn, DeKalb Memorial Hospital; Oaklawn Psychiatric Rehabilitation Center, Elkhart; Good Samaritan Home, Evansville; Parl View Memorial Hospital, Fort Wayne; McCray Memorial Hospital, Kendallville; White County Memorial Hospital, Monticello; Memorial Hospital and Nursing Home, New Albany; Henry County Hospital, New Castle; Porter Memorial Hospital, Valparaiso; and Pulaski Memorial Hospital, Winamac.

Many of these grants were arranged through our office.

OTHER HOOSIER CONSTRUCTION

During the year just ended, military construction in the State of Indiana totaled \$2,848,000 other than for public works projects such as flood control and navigation. During the current year, Indiana has been allocated \$2,310,000 for similar construction.

In the money year just closed, Bunker Hill Air Force Base received \$1,777,000 for con-

struction. The National Guard built armories at Jasper, Richmond and Scottsburg; the Army Reserve built training centers at Lafayette and Rushville, and the Air Force Reserve built new facilities at Bakalar Air Force Base, Columbus.

In the current year, Bunker Hill will have \$411,000 worth of new work done. Armories are to be built for the National Guard at Bedford, Monticello and North Vernon. Terre Haute is to receive money for work on an Army Reserve Center and large sums are to be spent on Baer Field, Fort Wayne, and Hulman Field, Terre Haute, for the Air National Guard.

Jefferson Proving Ground, Madison, and Indiana Arsenal, Charlestown, are being reactivated for the present emergency and work at Crane Naval Ammunition Depot is being stepped up.

Post office construction work also has come to our State.

New post offices have been built or are being built this year for the following: Bruceville, Pittsboro, Poseyville, Selma, Shipshewana, North Terre Haute, Waveland, Fulton, Millersburg, Centerpoint, Lucerne, Paragon, Rockport, Russellville, Anderson, Jonesboro, Otterbein, Zionsville, Griffith, Jasonville, Kimmell, Richville, Clarke Hill, Hanna, Harlan, Burlington, Harmony, Hillsboro, Stockwell, Miller (Gary), Lynnville, Stilesville, Dublin, Losantville, Lynn, Madison, Oakland City, and Williamsport. Major remodeling has been done at the Irving Station of Indianapolis.

The Senate also has confirmed new postmasters for Boonville, Carthage, Edinburg, Fowler, Gosport, Lanesville, Loogootee, Marshall, Spencer, Springsport, Tangier, Tippecanoe, Union City, Universal, Wabash, and Williamsport.

The most notable success was at Portage, the new town in Porter County. Originally, it was decided not to create a separate post office to serve this community which includes the proposed new port and which includes the new Midwest Steel mill. We were able to have a post office designated for this community and I was present for the dedication of the new building in September.

EDUCATION

One of the important controversies in the 87th Congress has been how much Federal aid there should be for education. The issue of whether there should be any Federal aid was decided long ago when loans were authorized for institutions of higher learning and when direct aid for communities with large number of children of Federal workers was voted.

There followed the National Defense Education Act which set up new programs to aid needy and worthy college students. This act was passed after the Russians launched their first space vehicle, and it became apparent that the United States was behind in science and technology.

In addition, the principle of aid to schools and schoolchildren through the hot lunch program is well established.

Because of the large number of public schools in Indiana which share in the aid for areas with substantial enrollments of children of Federal workers—the so-called impacted areas—I polled trustees and school superintendents in these areas. I asked them to state whether they needed such aid and whether such aid has resulted in any Federal domination whatever. These trustees and superintendents unanimously reported a need and no Federal interference whatever.

Here is a list of Indiana school corporations which received impacted area aid in the bookkeeping year just ended:

O-Madison Townships, Odon; Holt Township, St. Bernice; Perry Township, Loogootee; City of Loogootee; City of Clinton; Shoals Community Schools; Charlestown Metropolitan School District; Rockville Consolidated Schools; Clinton School Township,

Clinton; School Town of Edinburg; Vermillion Township, Newport; Washington Township, LaPorte; Highland Township, Perrysville; Rutherford Township, Shoals; City of Franklin; Silver Creek Township, Sellersburg; Elnora Township, Elnora; Monroe Township, Henryville; Reeve Township, Cannelburg; Jeffersonville Township, Jeffersonville; Van Buren Township, Odon, Utica Township, Jeffersonville, Lawrence Township Metropolitan District, Indianapolis; City of Jeffersonville; Washington Township, Nabb; Barr Township, Montgomery; Blue River-Jackson-Spencer Townships, Corydon; Jennings Township, English; Town of Clarksville; Madison Consolidated, Madison; Pipe Creek Township, Peru; Peru Township, Peru, Washington Township, Peru; Steels Township, Plainville; Washington Township, Washington; Jasonville; Town of Vevay; Worthington-Jefferson Consolidated, Worthington; City of Peru; Jackson Township, Logansport; Mooresville Consolidated, Mooresville; Tipton Township, Logansport; Lincoln Township, Danville; Linton-Stockton Schools, Linton, Washington Township, Danville, South Central Corporation, Corydon; Butler Township, Peru, Deer Creek Township, Peru, Bean Blossom Township, Stinesville; City of Bedford; Indian Creek Township, Bedford; Marion Township, Mitchell; Marshall Township, Avoca; Perry Township, Springville; Shanswick Township, Bedford; Van Buren Township, Bloomington, Washington Township, Bloomington; Eminence Consolidated, Monrovia; Martinsville Metropolitan; Monroe Township, Monrovia; Warren Township Metropolitan, Indianapolis, Decatur Township; Indianapolis; Vigo Township, Bicknell; Franklin Township, Roachdale; Washington Township, Greencastle; Clay Township Metropolitan, Carmel; York Township, Vevay.

City of Greenfield, Delaware Township, Fishers; Patriot-Posey District, Patriot; Central School District, Switz City; Washington-Stafford Consolidated, Lyons; Rising Sun-Ohio County Consolidated, Rising Sun; White River Township, Greenwood; Franklin Township, Marion; Center Township, Marion; Monroe Township, Marion; Jefferson Township, Upland; Eastern District, Owensburg; Pleasant Township, Whiteland; Mississinewa Joint Schools, Gas City; Jefferson-Craig Consolidated, Vevay; Sims Township, Swaysee, Van Buren Township, Van Buren; City of Greenwood; Fairmount Township, Fairmount; town of Fairmount; city of Marion; Central District, Maxwell; Vernon Township, Fortville; Taylor Township, Kokomo; Bloomfield District, Bloomfield; Hobart Township, Hobart; Eugene Township, Gayuga; Owen Township, Charlestown; Spice Valley Township, Huren; Southwestern Jefferson County, Hanover; Sunman Consolidated, Sunman; City of Aurora; Milan Consolidated, Milan; Kelso Township, Lawrenceburg; Metamora Township, Metamora; Manchester Township, Lawrenceburg; Moores Hill District, Lawrenceburg; Miller-Logan-Harrison District, Lawrenceburg; Miller-York District, Lawrenceburg, Linton Township, Terre Haute, Dillsboro School-Clay Township, Lawrenceburg.

OTHER LEGISLATION

In the session just ended, I was successful in passage of legislation which has given Indiana two new Federal judgeships. These will be of tremendous value in cutting down a huge backlog of cases pending. Justice has been denied in the Federal courts because of long delays due to overcrowded dockets.

We have legislation pending on many other matters, most of them of direct interest to Hoosiers. I look forward, for instance, to favorable action on a bill which should lead to the freeing of the New Harmony Bridge from tolls since more than enough money has been collected to pay for the construction and maintenance. I look forward also

to action on several bills creating national parks in our State.

The best known of the park proposals is the one in the dunes area. Senator PAUL DOUGLAS, of Illinois, some time ago offered a bill to create a huge Dunes National Monument. At first Senator DOUGLAS proposed to bar building of a deep water port that would accommodate seagoing vessels and would also bar the building of steel mills by Midwest and Bethlehem. Midwest has since built. Senator DOUGLAS then offered a bill to allow the port to be built, but to ban Bethlehem. He has offered still another bill, now pending, which would prevent the port and the other steel mill from being built, setting up a large national monument covering much of Indiana's Lake Michigan shoreline.

My position has consistently been that industry and recreation can be brought together on the shoreline and that dunes of historical value can be preserved. I have a bill pending which would divide this dune-land, in effect, into two areas. The western part, adjoining Lake County, would be used for industrial and port development. The eastern part, adjoining LaPorte County, would be used for the national monument. Interior Secretary Udall has indicated sympathy with my approach which provides for conservation, recreation and industry.

I am working hard also for establishment of a Lincoln Boyhood National Memorial in Spencer County, a Lincoln Parkway connecting the birthplace of President Lincoln in Kentucky with his boyhood home in Indiana and his adult home in Illinois and for a historical park at the site of Angel Mounds in Vanderburgh County. My bill for the Lincoln boyhood park has passed the Senate and we expect to clear remaining legislative hurdles early next year.

I intend to press my efforts to develop tourist trade for Indiana in this fashion. I also expect to press for canalization of the Wabash and for adequate flood control for our State.

In the field of national legislation, I am the author of a bill which would straighten out the allocation of radio and television channels. I am continuing to pursue my efforts for more freedom of information through less restrictive news coverage by radio and television.

OTHER SERVICES

My office in Washington is a Hoosier headquarters. We receive an average of 275 phone calls a day, most of them from Indiana. We have had nearly 6,000 visitors during the past year, most of them from home. This past spring, 95 Indiana high schools had students on Washington trips who called on us.

From January 1, 1961, to September 30, 1961, we received 45,938 letters and mailed out 50,678 letters. Most of this mail concerns legislation and problems arising from legislation. But we perform a variety of services for Hoosiers. For instance, we had about 300 inquiries from people from Indiana who work for the Federal Government and want assistance with something pertaining to their jobs.

The defense buildup has resulted in a great number of service and veteran problems. Since January 1, we have handled 709 of these problems, with the number growing daily. We assisted 261 Hoosiers with social security problems, 27 with draft board problems, 18 with railroad retirements, and 711 persons who sought patronage employment.

I have helped also with 61 immigration cases who could be helped within the framework of present laws. Fifteen private immigration bills were introduced to assist those people who were worthy and who could not be helped through existing legislation. Many of these have united families who had been apart for years through circumstances beyond their control. One example is that of Krste Angeloff, of Yugoslavia. He is the

adopted son of Mrs. Miles Angeloff, of Gary. He had been waiting 10 years to come to this country. During this time, Mr. Angeloff died and this further complicated the case. Krste was reunited with his family this year through our work. A similar bill united Mice Delich with his grandfather, Eli Belich in Terre Haute.

CONCLUSION

It is my sincere conviction that I am in Washington to serve. There are many ways for serving my State and my country. I feel we fight communism and work for the inevitable triumph of freedom by making America a better place in which to live and by helping other freedom-loving people. I feel that a strong and prosperous America which can be an example to the world is our strongest bulwark against enslavement.

The people who have sent me to Washington have asked me, in effect, to work hard, to study and to deliberate on the great issues of the day, to vote with sincerity and devotion and dedication to ideals, to assist my constituents, to consider the best interests of the State and Nation and to see that Hoosiers receive their fair share of bounty and assistance in solving their problems. I believe I am doing this. I welcome comments and suggestions from constituents.

Interim Report of the Committee on Government Operations, House of Representatives, for the 1st Session, 87th Congress

EXTENSION OF REMARKS

OF

HON. JOHN S. MONAGAN

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. MONAGAN. Mr. Speaker, I am pleased to present the following interim report on the activities of the Committee on Government Operations in the first 9 months of the 87th Congress:

INTERIM REPORT OF THE COMMITTEE ON GOVERNMENT OPERATIONS, HOUSE OF REPRESENTATIVES, FOR THE 1ST SESSION, 87TH CONGRESS

JURISDICTION

The jurisdiction and duties of the Committee on Government Operations are set forth in rule XI(8) of the House of Representatives.

Under this rule, all proposed legislation, messages, petitions, memorials, and other matters relating to (a) budget and accounting measures, other than appropriations, and (b) reorganizations in the executive branch of the Government shall be referred to the Committee on Government Operations.

The rule also assigns to the Committee on Government Operations the duty of (1) receiving and examining reports of the Comptroller General of the United States and of submitting such recommendations to the House as it deems necessary or desirable in connection with the subject matter of such reports; (2) studying the operation of Government activities at all levels with a view to determining its economy and efficiency; (3) evaluating the effects of laws enacted to reorganize the legislative and executive branches of the Government; (4) studying intergovernmental relationships between the United States and the States and municipalities and between the United States and international organizations of which the United States is a member.

ORGANIZATION

In order to perform its functions and to carry out its duties as fully and as effectively as possible, the committee, under the leadership of its chairman, the Honorable WILLIAM L. DAWSON, of Illinois, at the beginning of the 87th Congress, established five regular subcommittees, which cover the entire field of executive expenditures and operations. The names and chairmen of these subcommittees are as follows:

Executive and Legislative Reorganization Subcommittee, Hon. WILLIAM L. DAWSON, chairman.

Military Operations Subcommittee, Hon. CHET HOLIFIELD, chairman.

Government Activities Subcommittee, Hon. JACK BROOKS, chairman.

Intergovernmental Relations Subcommittee, Hon. L. H. FOUNTAIN, chairman.

Foreign Operations and Monetary Affairs Subcommittee, Hon. PORTER HARDY, Jr., chairman.

In addition, four special subcommittees were organized to handle special problems: Special Donable Property Subcommittee, Hon. JOHN W. MCCORMACK, chairman.

Special Government Information Subcommittee, Hon. JOHN E. MOSS, chairman.

Special Subcommittee on Assigned Power and Land Problems, Hon. JOHN E. MOSS, chairman.

Special Subcommittee on the Federal Home Loan Bank Board, Hon. JOHN E. MOSS, chairman.

INVESTIGATIVE REPORTS

During the 1st session of the 87th Congress, the Committee on Government Operations approved and submitted to the Congress 11 reports of an investigative nature. At the close of the first session, a number of reports were in preparation and a number of investigations were underway. These will be considered by the subcommittees and the full committee early in the second session. Several hearings have been planned for the recess period between sessions.

For convenience, the published reports are listed here with the name of the originating subcommittee. A more detailed discussion of the material will be found below in the breakdown of the committee's activities by subcommittee:

First report (H. Rept. No. 184): "Activities Report of the House Committee on Government Operations, 86th Congress, 1st and 2d sessions, 1959-60." (Full committee, Hon. WILLIAM L. DAWSON, chairman.)

Second report (H. Rept. No. 321): "Health Research and Training, the Administration of Grants and Awards by the National Institutes of Health" (Intergovernmental Relations Subcommittee, Hon. L. H. FOUNTAIN, chairman.) (Additional views filed.)

Third report (H. Rept. No. 324): "Air Force Ballistic Missile Management (Formation of Aerospace Corporation)." (Military Operations Subcommittee, Hon. CHET HOLIFIELD, chairman.) (Additional views filed.)

Fourth report (H. Rept. No. 795): "U.S. Aid Operations in Peru." (Foreign Operations and Monetary Affairs Subcommittee, Hon. PORTER HARDY, Jr., chairman.)

Fifth report (H. Rept. No. 818): "Availability of Information From Federal Departments and Agencies (Progress of Study, July-December 1960)." (Special Government Information Subcommittee, Hon. JOHN E. MOSS, chairman.) (Additional views filed.)

Sixth report (H. Rept. No. 1214): "Defensive Materiel Utilization Program." (Military Operations Subcommittee, Hon. CHET HOLIFIELD, chairman.)

Seventh report (H. Rept. No. 1215): "Availability of Information From Federal Departments and Agencies (Telephone Monitoring)." (Special Government Information Subcommittee, Hon. JOHN E. MOSS, chairman.)

Eighth report (H. Rept. No. 1241): "Consumer Protection Activities of Federal Departments and Agencies." (Intergovernmental Relations Subcommittee, Hon. L. H. FOUNTAIN, chairman.)

Ninth report (H. Rept. No. 1249): "New Civil Defense Program." (Military Operations Subcommittee, Hon. CHET HOLIFIELD, chairman.)

Tenth report (H. Rept. No. 1250): "Cambodian Port Highway: A Supplemental Report." (Foreign Operations and Monetary Affairs Subcommittee, Hon. PORTER HARDY, Jr., chairman.) (Additional views filed.)

Eleventh report (H. Rept. No. 1257): "Availability of Information From Federal Departments and Agencies (Progress of Study, January-August 1961)." (Special Government Information Subcommittee, Hon. JOHN E. MOSS, chairman.) (Additional views filed.)

COMMITTEE PRINT

"Governmental Structure, Organization, and Planning in Metropolitan Areas (Suggested Action by Local, State, and National Governments)." A report by the Advisory Commission on Intergovernmental Relations.

LEGISLATION

The legislative jurisdiction of the Committee on Government Operations covers a wide range of important governmental operations. It includes all matters relating to budgeting and accounting measures other than appropriations and all matters relating to reorganizations in the executive branch of the Government. Moreover, by precedent, property disposals and other matters involving the Federal Property and Administrative Services Act are referred to the committee.

During the 1st session of the 87th Congress, the committee studied 176 bills and resolutions referred to it and reported 17 to the House. These are discussed more fully under the subcommittee breakdown below. However, those reported are listed here for convenience, with the name of the subcommittee which initially considered them:

H.R. 3279, to increase the maximum rates of per diem allowance for employees of the Government traveling on official business, and for other purposes. (Executive and Legislative Reorganization Subcommittee.) (H. Rept. No. 341; Public Law 87-139.)

H.R. 5742 (S. 153), to further amend the Reorganization Act of 1949, as amended, so that such act will apply to reorganization plans transmitted to the Congress at any time before June 1, 1963. (Executive and Legislative Reorganization Subcommittee.) (H. Rept. No. 195; Public Law 87-18.)

H.R. 6094, to amend section 4 of the Employment Act of 1946. (Executive and Legislative Reorganization Subcommittee.) (H. Rept. No. 325; Public Law 87-49.)

H.R. 8099, to amend section 109 of the Federal Property and Administrative Services Act of 1949, as amended, so as to remove the limitation on the maximum capital of the General Supply Fund. (Government Activities Subcommittee.) (H. Rept. No. 1217; Public Law 87-372.)

H.R. 8100, to amend section 109 of the Federal Property and Administrative Services Act of 1949, as amended, relative to the General Supply Fund. (Government Activities Subcommittee.) (H. Rept. No. 1218.)

H.R. 8429, to establish a Department of Urban Affairs and Housing, and for other purposes. (Executive and Legislative Reorganization Subcommittee.) (H. Rept. No. 1053.)

H.R. 8603, to amend the Federal Property and Administrative Services Act of 1949 to provide for public information and publicity concerning instances where competitors submit identical bids to public agencies for the sale or purchase of supplies, equipment, or services, and for other purposes. (Execu-

tive and Legislative Reorganization Subcommittee.) (H. Rept. No. 989.)

H.R. 8798, to amend section 7 of the Administrative Expenses Act of 1946, as amended. (Executive and Legislative Reorganization Subcommittee.) (H. Rept. No. 1216.)

H. Res. 302, disapproving Reorganization Plan No. 1 of 1961 transmitted to Congress by the President on April 27, 1961. (Executive and Legislative Reorganization Subcommittee.) (H. Rept. No. 509.)

H. Res. 303, disapproving Reorganization Plan No. 2 of 1961 transmitted to Congress by the President on April 27, 1961. (Executive and Legislative Reorganization Subcommittee.) (H. Rept. No. 446.)

H. Res. 304, disapproving Reorganization Plan No. 3 of 1961 transmitted to Congress by the President on May 3, 1961. (Executive and Legislative Reorganization Subcommittee.) (H. Rept. No. 510.)

H. Res. 305, disapproving Reorganization Plan No. 4 of 1961 transmitted to Congress by the President on May 9, 1961. (Executive and Legislative Reorganization Subcommittee.) (H. Rept. No. 511.)

H. Res. 328, disapproving Reorganization Plan No. 5 of 1961 transmitted to Congress by the President on May 24, 1961. (Executive and Legislative Reorganization Subcommittee.) (H. Rept. No. 576.)

S. 537 (H.R. 5294), to amend the Surplus Property Act of 1944 to revise a restriction on the conveyance of surplus land for historic monument purposes. (Government Activities Subcommittee.) (H. Rept. No. 558; Public Law 87-90.)

S. 539 (H.R. 3259), to make nationals, American and foreign, eligible for certain scholarships under the Surplus Property Act of 1944, as amended. (Government Activities Subcommittee.) (H. Rept. No. 559; Public Law 87-153.)

S. 540 (H.R. 3260), to authorize agencies of the Government of the United States to pay in advance for required publications, and for other purposes. (Government Activities Subcommittee.) (H. Rept. No. 560; Public Law 87-91.)

S. 796 (H.R. 5096), to amend the Federal Property and Administrative Services Act of 1949, as amended, so as to authorize the use of surplus personal property by State distribution agencies, and for other purposes. (Special Donable Property Subcommittee.) (H. Rept. No. 561; Public Law 87-94.)

REORGANIZATION PLANS

Seven reorganization plans were transmitted to the 87th Congress by the President during the 1st session. In the case of each plan, disapproval resolutions (which would reject the plan and thus preclude its going into effect automatically after 60 days from transmittal) were introduced and referred to the Committee on Government Operations.

Reorganization Plan No. 1 of 1961 (Securities and Exchange Commission). Hearings were held on disapproval resolutions House Resolution 285 and House Resolution 302. House Resolution 302 was disapproved by the committee and reported unfavorably to the House, which likewise disapproved the resolution. However, the plan was rejected by the Senate.

Reorganization Plan No. 2 of 1961 (Federal Communications Commission). Hearings were held on disapproval resolutions House Resolution 286 and House Resolution 303. House Resolution 303 was approved by the committee and reported favorably to the House. The House approved the resolution, thus rejecting the plan.

Reorganization Plan No. 3 of 1961 (Civil Aeronautics Board). Hearings were held on disapproval resolutions House Resolution 287 and House Resolution 304. The committee disapproved House Resolution 304 and reported it unfavorably to the House, which likewise disapproved the resolution. Not having been rejected by the Senate, the plan went into effect July 3, 1961.

Reorganization Plan No. 4 of 1961 (Federal Trade Commission). Hearings were held on disapproval resolutions House Resolution 288 and House Resolution 305. The committee disapproved House Resolution 305 and reported it unfavorably to the House, which likewise disapproved the resolution. Not having been rejected by the Senate, the plan went into effect July 9, 1961.

Reorganization Plan No. 5 of 1961 (National Labor Relations Board). Hearings were held on disapproval resolutions House Resolution 322 and House Resolution 328. The committee disapproved House Resolution 328 and reported it unfavorably to the House. The House approved House Resolution 328 and thereby rejected the plan.

Reorganization Plan No. 6 of 1961 (Federal Home Loan Bank Board). Hearings were held on disapproval resolutions House Resolution 335 and House Resolution 337. The committee voted to lay on the table House Resolution 335, which was an action favorable to the plan. A motion to discharge the committee from consideration of the resolution was defeated in the House. Since the Senate took no action to reject the plan, it went into effect on August 12, 1961.

Reorganization Plan No. 7 of 1961 (providing for reorganization of maritime functions). Hearings were held on disapproval resolutions House Resolution 336 and House Resolution 338. The committee voted to lay on the table House Resolution 336, which was an action favorable to the plan. The House defeated a motion to discharge the committee from consideration of House Resolution 336. Since the Senate took no action to reject the plan, it went into effect on August 12, 1961.

COMMITTEE ACTION ON REPORTS OF THE COMPTROLLER GENERAL

Rule XI, clause 8(c) (1) of the rules of the House, imposes the duty upon this committee to receive and examine reports of the Comptroller General referred to it and to make such recommendations to the House as it deems necessary or desirable in connection with the subject matter of the reports.

In discharging this responsibility all reports of the Comptroller General received by the committee are studied and analyzed by the staff and referred to the subcommittee of this committee to which has been assigned general jurisdiction over the subject matter involved.

The committee has received a total of 128 General Accounting Office audit reports for processing during the 1st session, 87th Congress, inclusive of 15 reports received between the adjournment of the 86th Congress and the convening of the 87th Congress. After preliminary staff study, these reports were referred to subcommittees of this committee, as follows:

Executive and Legislative Reorganization Subcommittee.....	11
Military Operations Subcommittee.....	52
Government Activities Subcommittee.....	32
Intergovernmental Relations Subcommittee.....	18
Foreign Operations and Monetary Affairs Subcommittee.....	15
Total.....	128

Periodic reports are received from the subcommittees on the action taken with respect to individual reports, and monthly reports are made to the chairman on the status of all reports received. During the session, the subcommittees used the reports to further specific investigations and reviews. In some cases, additional information concerning the findings and recommendations of the Comptroller General was requested and received from the administrative agency involved, as well as from the General Accounting Office. In another section of the committee's annual report dealing with the activities of the various subcom-

mittees, more specific information on the action taken on these reports is included.

The committee maintains complete files of all the Comptroller General's reports received. A record is kept showing the subcommittee to which referred, the date of referral, and the action taken. All the reports received during the session will be reviewed by the committee in the light of additional information obtained and action taken by the subcommittees, and determination will be made whether specific recommendations to the House are necessary or desirable under rule XI.

SUBCOMMITTEE BREAKDOWN

A detailed description of the committee's activities, broken down by subcommittee, is given below. At the chairman's request, the subcommittee reports were prepared in accordance with the following outline:

OUTLINE FOR ANNUAL SUBCOMMITTEE REPORTS

I. Investigations:

(a) List investigative reports issued with name of report, date issued and a summary of each.

(b) List and describe other investigations not resulting in a formal report.

(c) Give money savings or recoveries as a result of any investigations, together with the estimated dollar amount of each.

(d) List and describe any other remedial measures taken and any nonmonetary benefits attained as a result of investigations.

(e) The number of days hearings were held.

II. Legislation:

(a) Total number of measures referred to the subcommittee.

(b) Reports issued with title, date and summary of each, and description of subsequent legislative action on reported measures.

(c) Number of days of hearings held.

III. Reports received such as notice of negotiated sales, General Accounting Office audit reports, and similar matters considered which are not legislation:

(a) Number of each received.

(b) Wherever action has been taken, name the report acted on, hearings held, if any; describe the action taken and the resulting monetary and nonmonetary benefits.

IV. Prior activities of the subcommittee of current or continuing interest:

(a) The cumulative money savings or recoveries from such prior activities, naming them.

(b) Other action, executive or otherwise, taken on such prior activities resulting in some affirmative benefit.

V. Projected program for the remainder of the 87th Congress.

EXECUTIVE AND LEGISLATIVE REORGANIZATION SUBCOMMITTEE

(Hon. WILLIAM L. DAWSON, chairman)

I. INVESTIGATIONS

(a) Reports issued: None.

(b) Investigations not resulting in a formal report:

1. A continuing study of budget and accounting procedures in the Federal Government with special attention to the joint accounting program of the Bureau of the Budget, the Department of the Treasury, and the General Accounting Office.

2. A study of administrative organization, procedures, and practices in the Federal Government. This involves, inter alia, continued analysis of replies to the detailed questionnaire submitted to the agencies by this subcommittee during an earlier Congress. The replies, made into a committee print, have been in great demand by legal scholars and other interested persons.

3. A study of the utilization of advisory committees, experts, and consultants in the executive branch. Congressman DANTE B. FASCELL, representing the subcommittee, conferred with White House officials follow-

ing dispatch of a letter to the President from Chairman Dawson urging the adoption of standards and procedures contained in a bill in the past Congress reported by the committee and passed by the House but on which no action was taken by the Senate.

4. A study of new regulations issued by the Corps of Engineers following issuance by the committee of a report (H. Rept. No. 1637, 86th Cong.) on an investigation of expenditures for housing construction at the Granite City Engineer Depot in Illinois.

5. A study of the management operations of the Bureau of the Budget based on a critical report of the General Accounting Office.

6. Federal real and personal property inventory report (civilian and military) of the U.S. Government, covering its properties located in the United States, in the territories, and overseas, as of June 30, 1961. This annual inventory undertaking will represent a compilation of assigned values of real and personal property owned or controlled by the Federal Government which is located throughout the world. The report lists estimated present-day evaluations of public domain, Capitol Hill properties, as well as realty previously recorded on the books of the Government at zero value. Zero value properties are those which have been donated to, or obtained by, the Government at no cost.

This inventory report will represent the seventh endeavor by the Committee on Government Operations to record, in a comprehensive and concise manner, assets of the Government. Data for inclusion in the current report are being received and analyzed. The property inventory report is expected to be issued in January 1962 as a committee print.

During August 1961, the committee was advised that the Department of the Interior would serve as a pilot agency to reevaluate its realty holdings so as to show acquisition cost value as well as estimated present-day values. Efforts are being made within the Department, with assistance from other Government departments, to formulate criteria which can be utilized by the Interior Department, and eventually by other departments, in this endeavor. Criteria will be proposed by the Department, after which they will be reviewed by an advisory committee of the American Institute of Real Estate Appraisers. Final approval of reevaluation formulas will rest with the Committee on Government Operations.

(c) Monetary savings or recoveries as a result of investigation: No estimate possible at this time.

(d) Other remedial measures taken and nonmonetary benefits: Included in (b) above.

(e) Days of hearings held: None.

II. LEGISLATION

(a) Number of measures referred to the subcommittee: 81 legislative measures were referred to the subcommittee during the 1st session of the 87th Congress.

(b) Reports issued:

1. House Report No. 195 (H.R. 5742) further amending the Reorganization Act of 1949, as amended, so that such act will apply to reorganization plans transmitted to the Congress at any time before June 1, 1963 (Mar. 23, 1961):

This bill, as reported, would revise the Reorganization Act of 1949, as amended, which had lapsed because the 86th Congress had failed to extend its terminal date. Under the bill, a reorganization plan transmitted to the Congress by the President would become effective within the allotted time unless a simple majority of either House votes to disapprove it.

The bill was reported to the full committee and subsequently to the House and was passed. S. 153, a similar measure, was then

passed in lieu thereof and became Public Law 87-18 on April 7, 1961.

2. House Report No. 325 (H.R. 6094) amending section 4 of the Employment Act of 1946 (May 1, 1961):

This bill, as reported, was recommended to the Congress by the President and was designed to increase the ceiling on appropriations for salaries which may be granted the Council of Economic Advisers from its present figure to \$2 million.

After hearings, the bill was approved by the subcommittee and the full committee, and was subsequently passed by the House. In the Senate the bill was amended to remove the appropriations ceiling, thereby placing no limit on the amount of funds Congress could appropriate to the agency. The House accepted the Senate amendments and the bill became Public Law 87-49 on June 16, 1961.

3. House Report No. 341 (H.R. 3279), travel expenses of Government employees (May 3, 1961):

This bill had as its purpose to amend existing travel expense legislation to increase the maximum per diem rates and mileage allowances for the use of privately owned vehicles for certain civilian employees of the Government, among other purposes. The maximum per diem rates were raised from \$12 to \$16 per day and the mileage allowance for autos from 10 to 12 cents per mile. Among other things, the bill authorized the payment to employees of parking fees; transferred to the President authority now vested in the Bureau of the Budget to establish per diem rates outside the continental United States; and increased the maximum allowance for official travelers authorized to be paid on an actual expense basis.

After hearings, the bill was approved by the subcommittee and the full committee, and was passed by the House. In the Senate it was amended to include certain judicial employees and Senate Members and employees under its provisions. The amendments were accepted by the House and the bill became Public Law 87-139 on August 14, 1961.

4. House Report No. 446 (H. Res. 303), disapproving Reorganization Plan No. 2 of 1961 (Federal Communications Commission) (June 1, 1961):

This resolution represented the sense of the committee that Reorganization Plan No. 2 of 1961 relating to the Federal Communications Commission should not be approved. The plan, among other things, would have authorized the Commission to delegate any of its functions to a division of the Commission, an individual Commissioner or employees of the Commission, and would have abolished the Commission's mandatory review in cases of adjudication. It also would have transferred to the Chairman the Commission's functions with respect to assignment of Commissioners and commission personnel to perform the delegated functions.

Hearings were held on the plan and resolution by the subcommittee, and background materials and the committee report were prepared in cooperation with the staff of the full committee. The resolution was approved by the House on June 15, 1961, which had the effect of rejecting the plan and preventing it from becoming effective.

5. House Report No. 509 (H. Res. 302) approving Reorganization Plan No. 1 of 1961 (Securities and Exchange Commission) (June 12, 1961):

House Resolution 302 proposed that Reorganization Plan No. 1 of 1961 relating to the Securities and Exchange Commission be disapproved. The plan would have authorized the Commission to delegate any of its functions to a division of the Commission, an individual Commissioner, or to employees of the Commission, and would have given the

Chairman of the Commission the authority to designate the individual Commissioners or employees who were to perform the delegated functions.

After hearings, the subcommittee referred the Resolution to the full committee with a recommendation that it not be approved. The full committee supported this view and made the same recommendation to the House. The committee report and background materials were prepared in cooperation with the staff of the full committee. The House sustained the position of the committee and rejected the Resolution, thereby approving the plan. Subsequently, however, the Senate, on June 21, voted to disapprove the plan, and it therefore failed to become law.

6. House Report No. 510 (H. Res. 304) approving Reorganization Plan No. 3 of 1961 (Civil Aeronautics Board) (June 12, 1961):

House Resolution 304 proposed that Reorganization Plan No. 3 of 1961 relating to the Civil Aeronautics Board be disapproved. The plan authorized the Board to delegate any of its functions to a division of the Board, an individual Board member, or to employees of the Board, and gives the Chairman of the Board the authority to designate the individual Board members or employees to perform the delegated functions.

After hearings, the subcommittee referred the resolution to the full committee with a recommendation that it not be approved. The full committee supported this view and made the same recommendation to the House. The committee report and background materials were prepared in cooperation with the staff of the full committee. The House sustained the position of the committee and rejected the resolution, thereby approving the plan. Subsequently, the Senate voted to support the plan, and it therefore became effective on July 3, 1961.

7. House Report No. 511 (H. Res. 305) approving Reorganization Plan No. 4 of 1961 (Federal Trade Commission) (June 12, 1961):

House Resolution 305 proposed that Reorganization Plan No. 4 of 1961 relating to the Federal Trade Commission be disapproved. The plan authorizes the Federal Trade Commission to delegate any of its functions to a division of the Commission, an individual Commissioner, or to employees of the Commission and gives to the Chairman the authority to designate the individual Commissioners or employees to perform the delegated functions.

After hearings, the subcommittee referred the resolution to the full committee with a recommendation that it not be approved. The full committee supported this view and made the same recommendation to the House. The committee report and background materials were prepared in cooperation with the staff of the full committee. The House sustained the position of the committee and rejected the resolution, thereby approving the plan. Subsequently, the Senate voted to support the plan, and it therefore became effective on July 9, 1961.

8. House Report No. 576 (H. Res. 328) approving Reorganization Plan No. 5 of 1961 (National Labor Relations Board) (June 26, 1961):

House Resolution 328 had as its purpose the disapproval of Reorganization Plan No. 5 of 1961 relating to the National Labor Relations Board. The plan would have authorized the National Labor Relations Board to delegate its functions to a division of the Board, an individual Board member, or to employees of the Board.

After hearings, the subcommittee voted to recommend that the committee not favor the resolution, thereby approving the plan. The committee supported the position of the subcommittee and made the recommendation to the House. The Committee report and background materials were prepared in

cooperation with the staff of the full committee. The House subsequently voted in favor of the resolution on July 20, 1961, thereby rejecting the plan and preventing it from becoming effective.

9. House Report No. 989 (H.R. 8603), public information on identical bids to public agencies (Aug. 17, 1961):

This bill would require the making of reports by Federal procurement officers to the Attorney General where identical bids exceeding \$10,000 are made in response to an advertisement to bid. Among other things, the bill required a noncollusion affidavit to accompany each bid.

After hearings, a clean bill was introduced and reported to the full committee, and subsequently to the House, where it passed. A committee report and other background materials were prepared by the subcommittee staff. No action to date has been taken by the Senate.

10. House Report No. 1053 (H.R. 8429), establishing a Department of Urban Affairs and Housing, and for other purposes (Aug. 28, 1961):

This measure was recommended to the Congress by the President and has as its purpose to create a Department of Urban Affairs and Housing. It would transfer to the Secretary of the new Department the functions of the Housing and Home Finance Agency and several of its constituent branches. The Federal Housing Administration and the Federal National Mortgage Administration would be transferred to the new Department. In addition to the housing functions, the new Secretary would conduct comprehensive studies of problems of housing and urban development, develop and recommend policies, exercise leadership in coordinating Federal activities affecting urban areas, and encourage comprehensive planning by State and local governments of community development activities.

After hearings, a clean bill was introduced and reported to the full committee and subsequently to the House. The committee report and other background materials were prepared by the subcommittee staff. The bill was then referred to the Rules Committee, where it is awaiting action.

11. House Report 1216 (H.R. 8798), travel expenses for student trainees when assigned to certain Government positions (Sept. 19, 1961):

This measure was recommended to the Congress by the U.S. Civil Service Commission and authorizes the payment of travel and transportation expenses to certain student trainees who were not included in more comprehensive legislation reported by this committee in the 86th Congress (Public Law 86-587).

The bill was reported favorably to the full committee and subsequently to the House, where it was passed. The Committee report and other background materials were prepared by the subcommittee staff. No action to date has been taken by the Senate.

12. Action taken on House Resolution 335 and House Resolution 336:

In addition to the foregoing, hearings were held on House Resolution 335 relating to Reorganization Plan No. 6 of 1961, and House Resolution 336 relating to Reorganization Plan No. 7 of 1961.

Reorganization Plan No. 6 transferred from the Federal Home Loan Bank Board to its Chairman certain functions including the appointment and removal of personnel, the distribution of business among such personnel, the overall management, functioning, and organization of the Board. The Chairman, however, is governed by the general policies of the Board in carrying out his functions.

Reorganization Plan No. 7 created a new and fully independent Federal Maritime Commission and transferred to it the functions of the Federal Maritime Board, which

was abolished. There were also transferred to the Chairman of the Commission the functions of the Chairman of the Federal Maritime Board and certain functions of the Secretary of Commerce. The Commission was given authority to delegate its functions to individual Commissioners or employees of the Board. A position of Maritime Administrator was provided for, and the present Maritime Administration was retained within the Department of Commerce. Certain functions of the abolished Federal Maritime Board relating to subsidies were transferred to the Secretary.

Background material was prepared in cooperation with the staff of the full committee. The subcommittee recommended to the full committee that the disapproval resolution on these plans be rejected. The full committee, however, decided to table both disapproval resolutions and make no recommendation to the House. This had the effect of approving the reorganization plans. No report was issued. Subsequently, the House acted upon both resolutions by motions to discharge the committee. By rejecting these motions the House sustained the plans. Since the Senate took no action to disapprove the plans, they both became effective on August 12, 1961.

(c) Twelve days of formal hearings were held during the 1st session of the 87th Congress.

III. REPORTS RECEIVED SUCH AS NOTICE OF NEGOTIATED SALES, GENERAL ACCOUNTING OFFICE AUDIT REPORTS, AND SIMILAR MATTERS CONSIDERED, WHICH ARE NOT LEGISLATION

(a) Number of each received: Eleven audit reports of the General Accounting Office were received.

(b) Action taken:

1. Audit of the Southwestern Power System and related activities, Corps of Engineers (civil functions), Department of the Army, and the Southwestern Power Administration, Department of the Interior, for the fiscal years 1958 and 1959. (See item 3 below.)

2. Audit of selected activities of the Bureau of Reclamation, Department of the Interior, in the lower Colorado River Basin for the fiscal years 1957, 1958, and 1959. (See item 3 below.)

3. Audit on the financial statements of the Columbia River power system and related activities for fiscal year 1960.

With respect to the above three reports, the committee requested the comments of the Department of the Interior on questions and criticisms raised in the reports concerning depreciation accounting, interest during construction, inadequate statements comparing actual with planned repayment, administrative changes in important features of the Colbrann project, energy rates charged the Government by the Yuma project, and trespass occupancy of lands along the lower Colorado River. The Department's detailed reply is being used as a basis for further committee inquiry.

4. A report on a general review of current automatic data processing developments in the Federal Government.

A detailed analysis of the report was prepared, and the Bureau of the Budget was asked to comment on a number of aspects of the report. The committee has had considerable correspondence and is maintaining close liaison with the Bureau on integrated long-range planning and coordination of ADP within the Government, as well as on equipment selection and acquisition policies. The Director of the Bureau of the Budget, on October 16, 1961, approved a circular to all executive departments and establishments which sets out policies on selection and acquisition of ADP equipment.

5. Audit of the Tennessee Valley Authority for the fiscal year ended June 30, 1960.

The report questioned whether TVA may properly solicit suppliers by telegraph and

telephone in lieu of public advertisement and submission of sealed bids in situations which appear not covered by the usual statutory exceptions. The committee has received conflicting legal opinions from the TVA and the Comptroller General. The matter is under active study.

6. Audit of Federal Prison Industries, Inc., Department of Justice, fiscal year 1960. No further action contemplated.

7. Audit of the Federal Home Loan Bank Board for fiscal year 1960. Further study being made and comments will be requested from agency.

8. Review of admission and collection practices relating to the hospital and medical care program, Department of Public Health, District of Columbia government, January 1960. Further study being made and comments will be requested from agency.

9. Review of selected operations of Department of Highways and Traffic, District of Columbia government. Further study being made and comments will be requested from agency.

10. Review of selected activities of the Bureau of the Budget—Executive Office of the President, fiscal year 1960.

The report identified certain inadequacies in the Bureau of the Budget's program to improve management practices in the executive branch of the Government. In response to this criticism, a detailed review is being made of the records of the Bureau of the Budget pertaining to management survey contracts with private management consultant firms. A staff report on this aspect of the Bureau's management improvement activities will be prepared.

11. Audit of National Capital Housing Authority—fiscal years 1959 and 1960. Further study being made and comments will be requested from agency.

IV. PRIOR ACTIVITIES OF THE SUBCOMMITTEE OF CURRENT OR CONTINUING INTEREST

(a) Cumulative money savings or recoveries: No estimate possible at this time.

(b) Other affirmative benefits: See I(b) above.

V. PROJECTED PROGRAM FOR THE REMAINDER OF THE 87TH CONGRESS

1. Study and possible hearings on pending and other legislation to be referred in the 2d session of the 87th Congress.

2. Continuation until conclusion of investigations reported in I(b) above.

3. The subcommittee study of the various Hoover Commission reports referred is continuing so that implementation can be pressed wherever efficiencies or economies for the Federal Government are indicated. An investigation is also being made into the advisability of recommending legislation to create another commission to study Government organization.

4. A study of the Government Corporation Control Act along with suggested changes recommended by the Bureau of the Budget.

5. The study of scientific research and development, on which one report has been made, will be continued.

6. The study of the functions of the General Accounting Office in Europe is continuing and a check being made on implementation of the committee's recommendations.

7. The investigation into the importation of foreign excess property will be continued with close attention given to the revision of policies and procedures by the Department of Commerce, including the advisability of further legislation.

8. A special study of payments in lieu of taxes on industrial and commercial-type properties owned by the Government will be made with a view toward the recommendation of permanent legislation.

9. The subcommittee will continue its annual compilation of Federal real and personal property.

10. The investigation and study of personnel practices and procedures in the Government departments and agencies, particularly in the Internal Revenue Service, Des Moines, Iowa, and Bureau of Public Debt, Chicago, Ill., will be continued. Specific followup action is being taken on the implementation of the recommendations made by the committee in earlier reports.

11. The study of the advisability of requiring the President's budget to be presented in a manner separating capital investments from operating expenses will be continued.

MILITARY OPERATIONS SUBCOMMITTEE
(Hon. CHET HOLIFIELD, chairman)

I. INVESTIGATIONS

(a) Reports issued:

1. "Air Force Ballistic Missile Management (Formation of Aerospace Corporation)," third report by the Committee on Government Operations, House Report No. 324, May 1, 1961 (58 pages).

This report reviews developments leading to the formation of Aerospace Corporation as the technical manager of Air Force space systems and advanced missile systems. Aerospace, a nonprofit corporation established in California, will direct certain projects formerly handled by Space Technology Laboratories, Inc. (STL), a wholly owned subsidiary of Thompson Ramo Woolridge, Inc. The former Air Force-STL arrangement was critically evaluated by the subcommittee in House Report No. 1121, 86th Congress, 1st session. STL continues to direct and engineer the Atlas, Titan, and Minuteman ICBM projects for the Air Force, with diminishing responsibilities as these projects approach the operational stage.

In the report, the committee recommends that the Air Force review the remaining contract functions of STL with a view to closing these out as rapidly as possible, in order to eliminate overlapping layers of technical management. The committee suggests that the Air Force place greater management responsibilities on Aerospace Corporation and the weapon contractors as rapidly as they can assume them.

The committee notes that the Air Force has become the dominant military agency for ballistic missile and space systems and that Aerospace Corporation, with its direction responsibilities, will perform a central role. In the future, Aerospace is expected to build up to about 1,000 scientific and engineering personnel, with possible further growth in the future. The report warns against empire building which might dilute the high quality of the technical staff.

The negotiations which were required in the formation of Aerospace resulted in a transfer of personnel from STL, the purchase by the Air Force of STL's nine-building research and development center at a cost of \$23.5 million, and the provision of an advanced payment pool of \$5 million for Aerospace working capital.

The report notes that Air Force contract payments to both Aerospace and STL in fiscal year 1961 will be \$84 million, compared to a cost of \$78 million for STL alone in fiscal year 1960.

The Air Force attributed this increase to the peak workloads in the Minuteman program schedule, and to other added administrative support requirements.

The report reviews other technical resources of the Air Force Systems Command (formerly the Air Reserve and Development Command) and its several associated contract agencies.

The report states that specialized contract agencies such as Aerospace have become important adjuncts of Government efforts in scientific and technical fields associated with the national defense. There are several kinds of opposition to the use of such contract agencies. However, the tendency to use this

contract system is bolstered by the increasing complexity of new weapons, the accelerated pace of technological development, and the compelling competition with the Soviets.

2. "Defense Materiel Utilization Program," sixth report of the Committee on Government Operations, House Report No. 1214, September 19, 1961 (35 pages). This report reviews activities in the Department of Defense related to the efficient use of existing inventories in lieu of unnecessary new procurement. These screening, identification, and utilization operations are related to, but outside of, the more integrated supply operations under such programs as the single manager program.

The scattered and complex organization for utilization is discussed, and the variety of procedures that must be carried out by inventory managers in order to find and utilize excess or surplus property held by other defense agencies are described. A need was clearly indicated for great simplification and more effective utilization of assets.

There is an estimated \$13 billion in long supply or excess inventory in the supply systems alone, which comprise only about one-third of the total personal property holdings of the Department of Defense. Only a small portion of excess reported as utilized was processed through centralized and fully coordinated utilization programs. Inadequate identification data and lack of centralized screening procedures were apparent deficiencies in the supply systems. The existence of a backlog of surplus property appeared to be overemphasized.

The disposal sales system is geared largely to a high rate of disposal without adequate concern for utilization. Examples of inadequate procedures were cited. Furthermore, the rate of return from surplus sales appeared to be too low, especially in comparison with the advantage to the Government of utilizing property to the end of its service life.

Thirteen recommendations are made in the report, aimed at increasing the emphasis on utilization work, and at increasing its efficiency.

It was noted that a new single defense supply agency is to be organized under the Secretary of Defense. One of the objectives of the agency is to improve materiel utilization. The subcommittee states, however, that added emphasis on utilization will be required even under the new agency, and that strong interim control measures are necessary.

3. "New Civil Defense Program," ninth report by the Committee on Government Operations, House Report No. 1249, September 21, 1961 (82 pages). This is the first comprehensive report on the recent reorganizations in Federal civil defense and the administration's program for fallout shelters. It is the seventh subcommittee report in the past 6 years on civil defense problems. The report reviews new policies and measures designed to produce a stronger civil defense organization and an actual civil defense capability for the Nation. It also reviews the chronological development of shelter and evacuation policies over the past decade as the background of the civil defense assignment to the Department of Defense. It considers some basic attitudes which are taken toward civil defense programs and also includes a discussion of the current Soviet civil defense preparation.

Stating that the shelter identification and marking program is only a first step, the report calls upon the Department of Defense to develop an optimum shelter plan for the United States as rapidly as possible.

The effectiveness of underground shelters against radiation and some degree of blast effects the utility of group shelters as a basis for survival and recovery operations, and the cost of certain kinds of shelter systems are

discussed. A need for stocking shelters with food and water introduces other problems. There also is a need for training programs to explain the use of shelters, and the other civil defense efforts that will be required, to the people.

The report calls for a sizable increase in civil defense research and development in order to find approaches to many unsolved problems. Such work also could lead to later savings in time, equipment, and money.

With regard to Soviet civil defense, the report concludes that the Soviet Union has been engaged in an expensive and expanding civil defense program. The Soviet Union now has shelters for a substantial part of its city populations.

The report includes a special warning note for the American people to avoid fly-by-night operators with civil defense-labeled schemes and to be wary of false advertising of civil defense merchandise and services.

(b) Investigations not resulting in a formal report:

1. Surplus property disposal: The staff has continuously scrutinized military surplus disposal actions, investigating more closely those which indicated dissipation of valuable Government resources.

A quantity of Navy radio sets were identified as having civil defense use, and through inquiries made of the OCDM these unused radio sets were made available to the civil defense organizations of New Jersey and Virginia, instead of being disposed as surplus. Savings are listed in I(c)3 below.

2. Missile site construction: The staff investigated delays in missile site construction and alleged irregularities in contractor performance. Certain matters were referred to the Comptroller General for opinion.

3. Military air transportation: Hearings were held on further developments in this field, particularly with regard to contract allocation procedures. A report will be prepared on this subject. Emphasis will be given to recent developments in MATS modernization and procurement of commercial airlift services.

4. Defense catalog and standardization programs: Hearings were held on the progress and accomplishments of these programs and on the extent to which prior committee recommendations have been followed. A report will be prepared on this subject.

5. Military flight pay: The staff is making a study of this matter in connection with the interest of many Members and current legislative proposals for changes in these pay regulations.

6. Military-civilian relations in air traffic control: The staff held conferences and reviewed developments in this field to determine whether economies can be achieved and air safety promoted by better integration and better use of facilities. A report prepared at the subcommittee's request by the FAA on "Air Defense Air Traffic Control Integration," was received and is being studied in connection with this investigation.

7. Defense reorganization: The staff is making a study of the reorganizations which have resulted from the Department of Defense Reorganization Act of 1958 and from the actions of the new administration.

8. Automatic data processing systems and equipment: The staff is studying certain aspects of the contracting for, and use of, automatic data processing systems and equipment in the Department of Defense.

9. Mutual weapons development program: The staff has conducted field investigations and preparatory studies to determine whether the mutual weapons development program in its present form is achieving optimum savings and the greatest possible technical benefits for military research and development.

10. Multilateral weapons production programs: The staff has studied programs for

production of U.S.-developed weapons in NATO countries intended to replace or supplement direct military assistance. Included in this study is the question of the transfer of proprietary and patent data to foreign firms.

11. Procurement of aerial reconnaissance cameras: The staff investigated complaints alleging irregularities in the award of contracts, and the complainant was notified of a ruling made by the Comptroller General in this matter.

12. Supply of electric power for missile bases: A staff inquiry was made into the matter. The complainant was advised of decisions by the Air Force which would permit participation in such contracts by other companies.

13. Alleged irregularities in procurement of generators at McClellan Air Force Base, Calif.: A staff investigation was made of this matter and initial results were furnished to the complainant company. Further exploration of the issues raised was included in the investigation of the defense standardization program.

14. Many subject matters were investigated by the subcommittee at the request of Members of Congress. The subcommittee staff endeavors at all times to respond fully and promptly to Members' requests, to assemble and convey the necessary information, or to advise Members on appropriate courses of action that may be taken by constituents who refer matters to them.

(c) Monetary savings or recoveries as a result of investigation:

1. As a result of increased emphasis on the utilization program in the Department of Defense due in part to the subcommittee's investigation, the central utilization program has achieved an increase of about \$62 million in reported utilization transactions.

2. The savings to the Government estimated to have resulted from the utilization of Navy radio sets for civil defense purposes in lieu of disposal as surplus (see I(b)1 above) are \$500,000.

(d) Other remedial measures taken and nonmonetary benefits:

1. "Air Force Ballistic Missile Management (Formation of Aerospace Corp.)," House Report No. 324 (see I(a)1 above). Several developments with regard to Aerospace Corp. are of particular interest.

A. As noted on page 43 of the report, Aerospace Corp. will be included under the new defense policy with regard to Government patented rights arising from Government-sponsored research in new areas.

B. As noted on pages 33-34 of the report, there has been a strong interest generated in Aerospace Corp. on the problem of conflict of interest. Corporation policy has been formulated to avoid conflicts of interest which would reflect adversely on Aerospace or its mission for the Air Force.

C. This report has become a basic text in the study of contract organizations working for Government agencies. Several other studies have been initiated by groups within and outside the Government, utilizing the background data and issues presented in the report.

The following comment was made by the Secretary of Defense in a formal reply to House Report No. 324:

"A review of your report shows it to be an excellent, comprehensive and objective analysis of a complex subject. I am sure the report will prove to be of special value to the Air Force in developing the most effective utilization of the Aerospace Corporation. Like its predecessor, House Report No. 1121 on the 'Organization and Management of Missile Programs,' this report should be a valuable source document to all elements of the Department of Defense concerned with

problems relating to the management of our major weapons systems."

2. "Defense Materiel Utilization Program," House Report No. 1214 (see I(a)2 above). The following nonmonetary benefits are being achieved in the utilization programs:

A. The utilization division as a part of the Armed Forces Supply Support Center will assume a central and higher role in the new Defense Supply Agency.

B. Work on a centralizing screening system is progressing and will be developed for use among all of the military agencies to increase the benefits of this program.

C. A single operating manual for utilization work is being developed at the Armed Forces Supply Support Center.

The following comment was made in the Department of Defense's formal reply to House Report No. 1214:

"The Department of Defense appreciates this opportunity to review and comment on this report, which is constructive and helpful. The recommendations contained in the report, after full implementation by this Department, will result in an improved materiel utilization program. Implementation of these recommendations in certain instances is already in process, and in other instances the recommendations will establish not only our objective for accomplishment, but a sound blueprint for achieving the objective."

In addition, the Department of Defense indicated that it concurred in all 13 of the committee's recommendations and that it was taking appropriate corrective action.

3. "New Civil Defense Program," House Report No. 1249 (see I(a)3 above). The subcommittee has already received indications that serious consideration is being given to many problems posed in this report in the new Office of the Assistant Secretary of Defense for Civil Defense.

A. The report emphasizes the need for economy and efficiency as well as the speedy execution of the shelter identification and marking program. There are indications that efforts will be made in the Department of Defense to accomplish these purposes.

B. Numerous requests are being received for this report and a large public interest has been evidenced in the committee investigation.

(e) Days of hearings held: A total of 12 days of public hearings were held by the subcommittee.

1. Defense cataloging and standardization programs: Executive briefing session on April 13, 1961, and public hearings on April 14, 1961.

2. Defense materiel utilization program: Hearing on May 16, 1961.

3. Military air transportation: Public hearings, June 19, 20, and 23, 1961.

4. Civil defense: Public hearings on August 1, 2, 3, 4, 7, 8, and 9, 1961.

II. LEGISLATION

(a) Number of measures referred to the subcommittee:

No legislative measures were referred to the subcommittee during the session under review.

However, a statement by Subcommittee Chairman HOLIFIELD was read before the Executive and Legislative Reorganization Subcommittee on H.R. 4570. This bill would amend the Federal Property and Administrative Services Act of 1949, as well as title 10 of the United States Code, to provide for public information and publicity concerning instances where identical bids are submitted to public agencies for the sale or purchase of supplies, equipment or services. The chairman's statement reviewed a number of cases which have been investigated by the Military Operations Subcommittee and made suggestions. Some of the suggestions made were incorporated into the committee bill (H.R. 8603), which passed the House on August 22, 1961.

III. REPORTS RECEIVED SUCH AS NOTICE OF NEGOTIATED SALES, GENERAL ACCOUNTING OFFICE AUDIT REPORTS, AND SIMILAR MATTERS CONSIDERED WHICH ARE NOT LEGISLATION

(a) Number of reports received:

Forty-five reports on audits and reviews made by the General Accounting Office were received by the Subcommittee. All these reports were reviewed and analyzed by the staff, and the specific activities on the findings reported are shown below:

(b) Action taken:

1. The following GAO reports were used as background, documentation, or preparation of "Defense Materiel Utilization Programs," House Report No. 1215:

Review of interservice utilization of aeronautical supplies and equipment within the Department of Defense, B-133313, September 15, 1961.

Review of the reservation of Army excess material for the military assistance program, B-133363, July 31, 1961.

Review of planned procurement and concurrent disposal of compressed gas cylinders, Corps of Engineers, Department of the Army, B-133376, June 30, 1961.

Review of management within the Department of the Air Force of replacement equipment, B-133361, June 30, 1961.

Review of management of idle production equipment within the Department of Defense, B-133372, June 30, 1961.

Review of reciprocating engine spare parts, procurement and repair requirements, San Antonio Air Materiel Area, Department of the Air Force, B-133019, May 10, 1961.

Review of supply management of selected electronic equipment programs, Department of the Navy, B-133313, January 31, 1961.

2. The following GAO report was used as background and documentation for "Air Force Ballistic Missile Management (Formation of Aerospace Corporation)," House Report No. 324:

Findings resulting from initial review of the ballistic missile programs of the Department of the Air Force, B-133042, December 27, 1960.

IV. PRIOR ACTIVITIES OF THE SUBCOMMITTEE OF CURRENT OR CONTINUING INTEREST

(a) Because of the nature of the investigations undertaken by this Subcommittee, all reports are of continuing interest. Prior reports have contributed to current hearings and reports, and continuing notice is taken of subjects relating to past reports and investigations.

(b) The earlier reports of the Subcommittee in the civil defense area have continued to be basic texts for everyone interested in the field. These reports were:

(Those marked with an asterisk are no longer available for distribution from the committee.)

"Civil Defense for National Survival," H. Rept. No. 2946, 84th Cong., 2d sess., submitted July 27, 1956.*

"Status of Civil Defense Legislation," H. Rept. No. 829, 85th Cong., 1st sess., submitted July 22, 1957.*

"Analysis of Civil Defense Reorganization" (Reorganization Plan No. 1 of 1958), H. Rept. No. 1874, 85th Cong., 2d sess., submitted June 12, 1958.*

"Atomic Shelter Programs," H. Rept. No. 2554, 85th Cong., 2d sess., submitted August 12, 1958.*

"Civil Defense in Western Europe and the Soviet Union," H. Rept. No. 300, 86th Cong., 1st sess., submitted April 27, 1959.*

"Civil Defense Shelter Policy and Postattack Recovery Planning," H. Rept. No. 2069, 86th Cong., 2d sess., submitted July 1, 1960.

(c) Several earlier reports assisted in laying the foundation for the single manager program in the Department of Defense. The recent reports on military supply management—"Military Supply Management (Single

Manager Agencies)," House Report No. 674, 86th Cong., 1st sess., and "Military Supply Management (Progress in Single Management)," House Report No. 2074, 86th Congress, 2d session—assisted in adding needed impetus and emphasis on the single manager program and in the establishment of the new Defense Supply Agency. This agency appears to be initially aimed at control and management of the expanding single manager agencies, bringing the bulk of common military supplies and services under central direction.

Savings so far reported from the single manager program are as follows (as of June 30, 1961): Annual savings \$23,929,496. One-time savings \$543,816,316.

The Secretary of Defense has stated that savings of \$2 to \$4 billion in inventory reduction may be possible under the Defense Supply Agency.

Another benefit derived from these hearings and reports on military supply management has been their use as the basis for further studies by other groups and agencies of problems which could not easily be documented or studied before. For instance, the Attorney General utilized the hearing and report on single manager agencies for study of the competitive situation in the petroleum industry, as faced by the Military Petroleum Supply Agency. The report was entitled "Military Procurement of Petroleum, Report of the Attorney General Pursuant to Section 708(e) of the Defense Production Act of 1950, as Amended, as of November 9, 1960."

(d) In the area of "Organization and Management of Missile Programs," House Report No. 1121, 86th Congress, 1st session, a number of adjustments have been made in the management of these programs in response to subcommittee criticisms.

V. PROJECTED PROGRAM FOR THE REMAINDER OF THE 87TH CONGRESS

The projected program of the subcommittee will include the following subject areas, and consist of followup investigations, collateral inquiries, and reports where appropriate:

1. Organization and management of missile programs.
2. Military supply management, including cataloging and standardization.
3. Military air transportation.
4. Civil defense problems.
5. It is anticipated that other matters will arise which will require subcommittee action.

GOVERNMENT ACTIVITIES SUBCOMMITTEE (Hon. JACK BROOKS, chairman)

I. INVESTIGATIONS

(a) Investigative reports issued:

It is anticipated that a formal report will be completed and presented during the 2d session, 87th Congress, in connection with the subcommittee's investigation and hearing of August 1961, concerning the Government's nickel plant at Nicaro, Cuba. (See below (b) 1.)

(b) Other investigations not resulting in a formal report:

1. Following up extensive studies, public hearings, and formal reports¹ made by the subcommittee, beginning in the 84th Congress, regarding the Government's \$110 million nickel plant at Nicaro, Cuba, a hearing on circumstances concerning the close down on November 4, 1960, of the costly plant, and

¹ Public hearing Jan. 13, 16, 17, and 18, and Feb. 16, 1956, "Inquiry Into the Expansion and Operation by GSA of Government Nickel Plant at Nicaro, Cuba"; H. Rept. No. 2390, 84th Cong., 2d sess., June 19, 1956; part 2 of aforesaid hearing held Oct. 18 and 19, 1956; public hearing Apr. 23 and 24, 1958, on "Disposal Problems of Government-Owned Nickel Plant at Nicaro, Cuba"; H. Rept. No. 684, 86th Cong., 1st sess., July 17, 1959.

its subsequent status, as well as efforts being made to maintain a proprietary interest in it, was held August 29 and 30, 1961.

The hearing was conducted in executive session because of the confidential nature of some of the matters examined. Witnesses heard included GSA Administrator John L. Moore and other officials of the GSA, which owned the plant in the name of the Government; officials of the National Lead Co., whose subsidiary operated the plant for the Government, and of the Department of State, which dealt with policy matters concerning the plant.

The transcript is being screened for possible exclusion of confidential portions prior to publication by the Public Printer. It is anticipated that a report on this investigation and hearing, with appropriate findings and recommendations, will be completed for presentation during the next session of the 87th Congress.

2. Maintained investigative liaison with concerned Government officials regarding the status of the Government's \$248 million nickel-cobalt contract obligations at Moa Bay, Cuba, and Braithwaite, La. The subcommittee's investigation of this matter resulted in public hearings May 11 and 12, 1959, and subsequent study. A report was in preparation but was suspended because of the political changes in Cuba, which resulted in shut down of the Moa Bay operation in late 1959 and its formal expropriation by the Castro government in July 1961. Current status of the Moa Bay operation was reviewed briefly in the course of the executive hearing cited above.

3. Continued investigation, initiated during 86th Congress, of method whereby the General Services Administration acquired the site for the proposed new Federal Building in Dallas, Tex. Further interviewed private citizens critical of the method, and conferred with concerned GSA officials. Studied documents obtained from GSA and a report made at subcommittee request by the General Accounting Office. Staff investigators prepared a detailed examination of the application of the law of eminent domain, a facet of the matter which continues under subcommittee study.

4. On request of a Member of Congress, investigated methods utilized in awarding contracts for cafeteria services in Government buildings in the Washington, D.C., metropolitan area. Reported to the Member in letter dated September 15, 1961, and further questions raised are currently being studied.

5. As a result of the subcommittee's extensive investigations of various facets of Government surplus property disposal, including an investigation in spring 1961, of disposal activities delegated to the Department of Defense, the subcommittee recommended informally to the GSA that the agency study the feasibility of assuming more control over such delegated disposal operations. The GSA, accordingly, began such a study in July 1961, in line with the subcommittee's expressed belief that advantages in economy and efficiency might be accomplished. Subcommittee is maintaining liaison in the matter with concerned GSA officials.

6. Investigated, in response to complaint of a Member of Congress, the failure of the National Capital Park Service to utilize competitive bidding procedures in obtaining public address service for the 1961 season for the Carter Barron Amphitheater in Washington, D.C. Upon having the facts in the matter brought to his attention, the Secretary of the Interior advised the subcommittee that action has been taken to prevent a repetition of this practice and pointed out that the failure to use the proper procedure was unusual in that the procurement report for the 6-month period ending June 30, 1961, shows the Park Service formally advertised 94 percent of its dollar procurement volume,

most of the remaining 6 percent representing transactions under \$2,500.

7. Investigated competitive bidding in connection with GSA offering of approximately 1,391 acres of land at the Joliet Arsenal, Joliet, Ill., on request of a Member of Congress. Examination of facts in the matter and conferences with GSA officials indicated that inasmuch as the bid by Thomas F. Seay & Associates, Chicago, Ill., was not accompanied by the required bid deposit, it had been rejected as a nonresponsive bid.

8. Investigated GSA plans for remodeling the Roosevelt Park postal annex in Detroit, Mich., concluding that the agency had a sound, equitable basis for the proposed move, which hinged on approval of the renovation plan by the House Committee on Public Works.

9. Investigated policy and procedures of the GSA and other Government agencies with respect to the handling and disposition of articles which are lost and subsequently found in Government buildings. The inquiry was at the request of a Member of Congress and, upon its conclusion, the subcommittee drafted suggested legislation designed to standardize procedures in the matter.

10. Continued investigation, begun in 1960, in regard to operation and reorganization plans put into practice by GSA's Transportation and Public Utilities Service and effectiveness of its appearances before State regulatory bodies in rate cases. Conferred with GSA officials regarding personnel changes contemplated.

11. Investigated extensively the problems a Member's constituents encountered in their participation in the domestic manganese program administered by the GSA. Following conferences with officials concerned and careful study of records, it was determined that the case was an isolated one, rather than a general condition jeopardizing the efficiency and economy of the program, and already was on the docket of the U.S. Court of Claims. An appropriate report was made to the inquiring Member.

12. Upon learning that the Department of the Navy was in the process of negotiating the disposal of valuable Navy facilities at McCook, Ill., to the Reynolds Metals Co. as "contractor's inventory," a category which would not require submission of an explanatory statement to the Congress, the subcommittee initiated an investigation in April 1961. In a letter to the Assistant Secretary of the Navy on May 23, 1961, the subcommittee questioned the legality of that method for disposing of the property.

A conference between representatives of the GSA, which delegates disposal authority to the Navy, Navy representatives and the subcommittee chairman and staff members on June 23, 1961, resulted in an informal understanding, which was followed by submission of the appropriate explanatory statement on July 13, 1961. Submission of this statement in conformance with section 203(e) of the Federal Property and Administrative Services Act of 1949, as amended, prevented the establishment of a possibly dangerous precedent which the method originally advocated by the Navy might have set for disposition of other similar Defense Department surplus.

13. Investigated GSA plans for disposition of the surplus Keystone Ordnance Works, Crawford County, Pa. Conferred with GSA officials, studied records, and met with delegates from the Meadville, Pa., Area Industrial Commission, Pennsylvania State officials, and their Congressman in connection with the Meadville group's desire to acquire a portion of the property. The matter continues under subcommittee study.

14. Investigated circumstances surrounding bids for furnishing post office lock boxes to the Post Office Department. The study included conferences with complainants and General Accounting Office representatives.

Following a review of the GAO decision of February 17, 1961, in the matter, no further action was indicated.

15. Completed an investigation; begun late in the 86th Congress, of an order by former Postmaster General Arthur Summerfield to move the northwest regional post office from Portland, Oreg., to Seattle, Wash. No further action was indicated upon assurance by the new administration that the interests of economy and efficiency would be upheld in the matter.

16. Upon request of a Member of Congress, the subcommittee investigated the well-drilling operations conducted by the Department of the Interior. Bids had been rejected by Interior for a well-drilling project and the Department had determined to drill the well itself.

A study of the records in the matter and conferences with Interior personnel indicated that, while it is the Department's general practice to obtain bids for well-drilling operations, the Department does maintain several drilling rigs of its own and performs a small percentage of its own drilling. In the instance investigated, it was determined that it would be economically advantageous for the Department to drill its own well.

17. Initiated continuing investigation of GSA plan for establishment of a new centralized, Government-wide communications system. Examined records, conferred with concerned officials; the matter continues under study.

18. Maintained investigative survey, initiated earlier, of proposals to sell communications facilities at Department of Defense installations, in line with study made by subcommittee regarding such a proposed sale during the 85th Congress at the Newport (R.I.) Naval Base.

19. Cumulative investigation in progress in connection with GSA use of brokers in disposition of surplus property. Recommendations will be made to agency, if warranted, upon completion of study.

20. At request of a Member of Congress, the subcommittee investigated use of Government land for approaches to the Jones Point Bridge in nearby Virginia. Approximately 56 acres on the Virginia side of the Potomac River, a property known as the Battery Cove Military Reservation, was reported excess by the Department of the Army in 1954 and no disposal action taken in view of developing plans for the bridge. GSA, in July 1958, transferred 7.26 acres to the Interior Department for use as approaches to the bridge, the remaining acreage being used under permit to the Commerce Department as an assembly and storage area for the bridge construction. Legality of the transfer for approaches' use was established and GSA will appraise the remaining acreage and formulate disposal plans when it is no longer needed for an assembly area.

21. Investigated, on request of a Member of Congress, problems of a constituent regarding a matter before the GSA Board of Review, which had not rendered a decision. It was determined that the constituent's attorney had been granted several delays to file a brief answering points raised at a hearing before the Board, but had not. The Board pointed out it could not render a decision until all the evidence in the argument was in the file. As a result of the subcommittee's investigation, the Board chairman initiated a telephone contact with the attorney, reminding him to file the brief and granted him an additional 30 days to do so.

22. An investigative examination disclosed an apparent relaxation in the GSA's policy regarding conveyances of property for park or recreational purposes under section 13(h) (2) of the Federal Property and Administrative Services Act of 1949, as amended. The subcommittee chairman and staff presented

facts in the matter at a meeting with GSA officials on September 19, 1961. The GSA subsequently orally notified the chairman that the agency is revising its policy to more closely conform to congressional intent and the provisions authorizing conveyance of such properties at 50 percent of the appraised fair market value, based on the highest and best use of the property at the time it is offered for disposal, regardless of its former character or use.

23. As a result of an inquiry from a Member of Congress, the subcommittee investigated the awarding of contracts for auctioneer services by the GSA. Complaints alleging favoritism or unfairness in the Atlanta, Ga., regional office were not substantiated by the investigation. The GSA utilizes a rating system for auction firms to determine eligibility to auction Government property and the complaining firm, based on its past record, was qualified to auction smaller properties but was not eligible for consideration for a sale of great magnitude.

Factors used by GSA in rating the various auction companies seem reasonable and the subcommittee study of GSA files indicated that the standards are applied uniformly. As a result of the investigation, the subcommittee encouraged the GSA to continue its steps to put into practice two modifications which should do much to eliminate criticism which has arisen with respect to the practice of negotiating auction contracts: (a) While GSA regional offices are not required by law to advertise for bids in the awarding of auction contracts, they now are being encouraged to do so; (b) the Atlanta regional office now intends to solicit offers from those auctioneers qualified for sales of a particular value, rather than negotiate only with a particular auction firm. The new GSA property disposal handbook also urges the use of this method of inviting proposals by its regional offices rather than following the negotiation method.

(c) Money savings or recoveries as a result of investigations: Money savings were made in items under section II(b) and in section IV(a).

A greater proportion of proposed negotiated sales of surplus Government property reviewed by the subcommittee now is acceptable as originally proposed by the agency. The indicated greater agency concern with obtaining acceptable prices for surplus property is a direct result of the subcommittee's continued vigilance and careful study of each such proposal. Indirect savings through the preventive effects of the subcommittee's insistence upon maximum, fair returns for the Nation's taxpayers, on the basis of actual cash savings realized in the past, would amount to millions of dollars.

(d) Other remedial measures taken and nonmonetary benefits attained as a result of investigations:

1. As a result of the subcommittee's recommendation, based on many investigations of Government surplus property disposals, the General Services Administration is studying the feasibility of assuming more control over disposal activities delegated to the Department of Defense, agreeing with the subcommittee that advantages in economy and efficiency may be accomplished.

2. The Secretary of the Interior advised the subcommittee that action has been taken to prevent a repetition of the failure of the National Capital Parks Service to utilize competitive bidding procedures in obtaining public address service for the Carter Barron Amphitheater.

3. Subcommittee drafted suggested legislation designed to standardize procedures in regard to the handling and disposition of articles lost and subsequently found in Government buildings, investigation having disclosed broad differences in the manner in

which such property now is being handled. The draft was forwarded to the Member who initiated the investigation.

4. The establishment of a precedent which was subject to possible costly abuse and economic losses was prevented when the Navy Department, as a result of subcommittee action, abandoned efforts to dispose of a valuable surplus Navy facility as contractor's inventory, which would not have required submission of an explanatory statement to the Congress. The Navy then disposed of the property by negotiation in conformance with section 203(e) of the Federal Property and Administrative Services Act of 1949, as amended, submitting a proper explanatory statement to the Congress. The method originally advocated by the Navy could have served as a precedent for disposition of other similar Defense Department surplus, which should mount in volume with the announced closedown of outmoded installations.

5. The subcommittee's continued vigilance regarding any efforts to sell communications facilities on defense bases as surplus to private firms who then would furnish service to the base over the same lines (originally investigated during the 85th Congress) apparently has served as a deterrent to other defense efforts to take this uneconomic step.

6. As a result of subcommittee action, the GSA Board of Review took steps to speed up a decision in a case long delayed.

7. As a result of its investigation, the subcommittee encouraged the GSA to go ahead with steps to modify its method of awarding contracts for auctioneer services, evolving a more efficient system which should eliminate criticism which had arisen regarding its former method of negotiating auction contracts.

8. As a result of subcommittee action, the GSA reported orally to the subcommittee chairman that it was revising its policies regarding section 13(h)(2) of the Federal Property and Administrative Services Act, as amended, which concerns conveyances of property for park or recreational purposes, in order to conform more closely to congressional intent and obtain the maximum 50-percent return, under the law, for such properties.

(e) Days of hearings held: Formal investigative hearings were held on 2 days.

II. LEGISLATION

(a) Number of measures referred to the subcommittee: During the first session of the 87th Congress the subcommittee has had a total of 44 bills and resolutions referred to it for consideration.

These measures are broken down as follows: 38 House bills, 1 House resolution, and 5 Senate bills.

(b) Reports issued: Reports issued with title, date, and summary of each and description of subsequent legislative action on reported measures.

1. House Report No. 558, dated June 21, 1961, to accompany S. 537 reported in lieu of H.R. 5294.

Summary: The purpose of the bill is to amend section 13(h)(2) of the Surplus Property Act of 1944, as amended, to remove the technical restriction imposed on transfers for historic-monument purposes now contained in that provision. The bill removes the stipulation restricting transfers to properties acquired by the United States subsequent to January 1, 1900, and substitutes a 50-year criterion for determination of historical significance.

S. 537 passed the Senate May 29, 1961, and was referred to the Government Operations Committee and reported out June 21, as a substitute for H.R. 5294, which had passed the subcommittee. S. 537 passed the House July 10 and became Public Law 87-90 on July 20, 1961.

2. House Report 559, dated June 21, 1961, to accompany S. 539 reported in lieu of H.R. 3259.

Summary: The purpose of the bill is to amend the Surplus Property Act of 1944, as amended to permit nationals, American and foreign, to qualify for and receive financial assistance under the Fulbright Act, which provides such assistance for advanced education and study abroad.

S. 539 passed the Senate May 26, 1961, and was referred to the Government Operations Committee and reported out June 21, as a substitute for H.R. 3259, which had passed the subcommittee. S. 539 passed the House August 7 and became Public Law 87-153 on August 17, 1961.

3. House Report 560, dated June 21, 1961, to accompany S. 540 reported in lieu of H.R. 3260.

Summary: The purpose of the bill is to amend existing law to provide uniform authority for Federal departments and agencies to make advance payment for publications which do not fall within the category of newspapers, magazines or other periodicals.

S. 540 passed the Senate May 26, 1961, and was referred to the Government Operations Committee and reported out June 21, as a substitute for H.R. 3260, which had passed the subcommittee. S. 540 passed the House July 10 and became Public Law 87-91 on July 20, 1961.

4. House Report No. 1217, dated September 19, 1961, to accompany H.R. 8099.

Summary: The purpose of this bill is to amend subsection (a) of section 109 of the Federal Property and Administrative Services Act of 1949, as amended, by removing the capital limitation of the general supply fund.

H.R. 8099 was reported out of the Government Operations Committee on September 19, passed by the House on September 22, passed by the Senate on September 25, and became Public Law 87-372 on October 4, 1961.

5. House Report No. 1218, dated September 19, 1961, to accompany H.R. 8100.

Summary: The purpose of H.R. 8100 is to amend section 109 of the Federal Property and Administrative Services Act of 1949, as amended, to provide the General Services Administration with authority to use the general supply fund to pay transportation costs of supplies for Government agencies and to obtain reimbursement for those costs from customer agencies on a delivered price basis for the supplies distributed through the fund.

H.R. 8100 was reported out of the Government Operations Committee on September 19 and was passed by the House on September 22.

The subcommittee, after considering their merit and purpose, tabled the following two bills: H.R. 1015 and H.R. 2685.

(c) Days of hearings held: Hearings were held on legislative matters on 2 separate days.

III. REPORTS RECEIVED SUCH AS NOTICE OF NEGOTIATED SALES, GENERAL ACCOUNTING OFFICE AUDIT REPORTS, AND SIMILAR MATTERS WHICH ARE NOT LEGISLATION

(a) Number of each received:

1. The subcommittee has received a total of 81 explanatory statements of proposed negotiated disposals of Government surplus property for consideration during the first session of the 87th Congress. The statements are submitted to the committee in accordance with provisions of section 203(e)(6) of the Federal Property and Administrative Services Act of 1949, as amended, and each has been thoroughly reviewed. The original estimated acquisition cost of the property proposed for sale amounted to \$173,223,125 and had a current appraised value of \$43,380,358, while the proposed disposal price was \$41,346,905. Six of the explanatory statements concerned leasing of Government property at a rental of \$177,940 per year.

Sixty-eight explanatory statements pertained to the disposal of real property having an original acquisition cost of \$173,049,563. This same real property had a current appraised value of \$43,301,512 and the proposed disposal price was \$41,261,360.

Seven of the proposed sales were of personal property which had an estimated acquisition cost of \$173,562 and a current appraised value of \$78,846. This property was being sold for \$85,545.

2. GAO audit reports—32

(b) Action taken:

1. Negotiated sales:

a. In 13 instances of the 81 explanatory statements, more information was felt necessary to evaluate the proposal and the responsible Government officials accordingly were interviewed. The disposal agency's files also were examined in most of the cases and particular attention was given to a study of the appraisal upon which the sales price was based.

b. In one case it was determined that there was sufficient cause to warrant a personal inspection of the property being sold to properly evaluate the material made available to the committee. In this case an investigation of the circumstances surrounding the negotiation was undertaken which included interviewing of the prospective purchaser and other interested parties, as well as a study of the real estate market in the locale of the subject property.

This proposal concerned the sale of the former Naval Industrial Reserve Shipyard, located at Panama City, Fla., to the Panama City Port Authority. The property consisted of 118.03 acres of land together with 56 buildings and related personal property. The property had been appraised at \$1,200,000 and was to be sold for \$1,025,000, which price included the release of a Government claim against the port authority for \$80,000 bringing the sales price down to \$255,000 below the appraised fair market value.

GSA central and regional office files were reviewed and the appraisal thoroughly studied. In addition, the property was inspected and officials of the port authority were interviewed. It was concluded that the proposed sales price was less than the fair value of the property. Accordingly, it was recommended to the Administrator of GSA that the sale should not be consummated for less than the fair market value as reflected by the appraisal.

In the following months, the subcommittee chairman met with a delegation of citizens from Panama City, Fla., and the staff worked and conferred with GSA disposal officials regarding the agency's efforts to follow the subcommittee's recommendations. GSA negotiations subsequently brought a new offer from port authority officials and on April 11, 1961, the GSA Administrator submitted a new explanatory statement.

This proposal excluded a 3.3-acre tract of land and 4 buildings, leaving 114.73 acres of land, together with 52 buildings and related personal property, subject to the sale. The revised appraised value of the property to be sold was \$1,114,500 and the proposed sales price was \$1 million exclusive of any Government claims against the port authority.

While the sales price was below the appraised value, the new offer was considerably more than the previous offer and was sufficiently close to the appraised fair market value that it was determined that the new offer should be accepted. The sale was subsequently consummated and, as a direct result of the subcommittee's actions, the net monetary increase to the Government amounted to \$145,500.

c. The subcommittee also was concerned with the sale of the \$20 million Government surplus aluminum extrusion plant at Adrian, Mich. The property was offered twice com-

petitively but all bids were rejected and negotiations were conducted with the Harvey Aluminum Co., one of the bidders for the plant.

In connection with the subcommittee's study, the chairman and staff met on March 2, 1961, with GSA officials and a delegation of prominent Adrian citizens who urged subcommittee support of the proposed sale to the Harvey firm, rather than to a scrap company, on grounds that resumption of operation of the plant was vital to the community economy.

Following the administration's policy of selling the property subject to conditions requiring its operation as an entity to help alleviate unemployment in the area, GSA consummated the sale to Harvey Aluminum Co. for \$3,626,100, which was \$100,000 higher than the highest bid that had been received.

2. GAO audit reports:

a. Report on Review of Federal-Aid Airport Program and of the Program for the Establishment of Air Navigation Facilities and Materiel, Federal Aviation Agency, 1960. FAA queried as to corrective action taken with regard to GAO recommendations. Agency reply shows corrective action has been taken.

b. Review of certain contracts by the Federal Maritime Board, Department of Commerce, for construction-differential subsidy and related ship construction, March 1961. Agency reply to subcommittee inquiry shows that the corrective action taken is satisfactory.

c. Review of Accounting System and Related Matters, Office of the Administrator, HHFA, June 1961. In reply to subcommittee inquiry, agency states that it is now complying with most GAO recommendations.

d. Audit of the Government Printing Office, fiscal year 1960. Correspondence with GPO shows that corrective action has been taken.

e. Review of selected operations of the compensation and pension program, Veterans Administration, June 1960. Agency reply to subcommittee inquiry indicates necessary corrective action has been taken.

f. Review of Coast and Geodetic Survey, Department of Commerce, fiscal years 1959 and 1960. Agency reply disagrees with GAO recommendations. Further inquiry is contemplated.

g. Review of slum clearance and urban renewal activities of the Atlanta regional office, HHFA, September 1960. Agency reply indicates that action is being taken to correct deficiencies.

h. Audit of general supply fund, GSA, fiscal year 1960. Agency reply to subcommittee inquiry is under study.

i. Review of certain aspects of the program for the termination of Federal supervision over Indian affairs, Bureau of Indian Affairs, Department of the Interior, March 1961. Department of the Interior queried as to corrective action taken. Report of special task force on Indian affairs, received August 7, is under study.

j. Audit of helium operations of the Bureau of Mines, Department of the Interior, March 1960. Awaiting agency reply to subcommittee inquiry as to corrective action taken on GAO recommendations.

k. Review of fur seal operations and administration of the Pribilof Islands, Bureau of Commercial Fisheries, U.S. Fish and Wildlife Service, Department of the Interior, June 1961. Agency reply to subcommittee inquiry has not been received.

1. The following reports are under staff study:

(1) Review of local housing authorities, Public Housing Administration, HHFA, June 1961.

(2) Audit of GSA contracts DMP-49, 50, and 51 with the Hanna Mining Co., Hanna

Nickel Smelting Co., and the M. A. Hanna Co., Cleveland, Ohio, April 1961.

(3) Audit of GSA contracts GS-OOP(D)-12006, 12143, 12192, and 12213 with Kaiser Aluminum & Chemical Corp. of Oakland, Calif.

(4) Audit of the Virgin Islands Corporation, fiscal year 1960.

(5) Review of certain activities of the government of the Virgin Islands, fiscal year 1960.

(6) Review of selected phases of manpower requirements for cleaning activities, Post Office Department, January 1961.

(7) Review of relocation housing program for small homes as administered by the Office of the Administrator and the Federal Housing Administration, HHFA, April 1960.

(m) After detailed analysis and review, no action was deemed necessary on the following GAO reports:

(1) Audit of Boston National Historic Sites Commission, April 1961.

(2) Audit of Lincoln Sesquicentennial Commission, November 1960.

(3) Audit of Inland Waterways Corporation, fiscal year 1960.

(4) Audit of abaca fiber program administered by GSA, fiscal year 1960.

(5) Audit of Federal Facilities Corporation, GSA, fiscal year 1960.

(6) Review of policies and procedures relating to leasing of space, Public Building Service, GSA, July 1959.

(7) Audit of Federal National Mortgage Association, HHFA, fiscal year 1960.

(8) Audit of revolving fund, Small Business Administration, fiscal year 1959.

(9) Review of education and training programs for Korean conflict veterans and war orphans, Veterans Administration, fiscal year 1959.

(10) Review of loan guarantee and direct loan programs, Veterans Administration, fiscal year 1960.

(11) Review of selected insurance operations of the Veterans Administration, fiscal year 1959.

(12) Audit of Veterans Canteen Service, Veterans Administration, fiscal year 1960.

(13) Audit of Public Housing Administration, HHFA, fiscal year 1960.

(14) Review of certain activities of the government of the Virgin Islands of the United States, fiscal year 1959.

IV. PRIOR ACTIVITIES OF THE SUBCOMMITTEE OF CURRENT OR CONTINUING INTEREST

(a) Cumulative money savings or recoveries: The subcommittee, during the 85th Congress, blocked the proposed negotiated sale of the Naval Industrial Reserve Shipyard at Newport News, Va., because the price of \$3,510,000 appeared grossly out of proportion to the true fair market value of the \$20,391,000 facility. GSA, at subcommittee request, withdrew its delegation of authority to the Secretary of Defense to dispose of the facility and made a new appraisal, which was evaluated by the GSA during the 86th Congress. The subcommittee continued liaison with GSA as the agency negotiated further with the potential buyer. An impasse was reached in the negotiations and GSA and the interested firm each agreed to obtain another appraisal. GSA's new appraisal was delivered in September 1961, and currently is under agency study. The subcommittee has maintained liaison with the agency in this prolonged matter, and an early settlement is in prospect at a price in excess of a million dollars more than the one originally proposed.

(b) Other affirmative benefits: Personnel changes designed to improve the administration of GSA's region 6, Kansas City, Mo., are a further result of the subcommittee's public hearings there March 25 and 26, 1960, which exposed serious irregularities in operation of the regional office, which serves

a seven-State area. An executive hearing followed on April 27, 1960, in Washington. Transcripts of the public hearings were printed and distributed. GSA promptly issued orders strengthening rules governing real estate transactions, but it was not until January 1961 that recommended personnel changes were completed. Earl H. Lund, regional director of GSA's Public Buildings Service, was transferred to another region and the resignation of Thomas G. Jay, regional commissioner, was accepted in December 1960, and took effect January 20, 1961. Testimony before the subcommittee showed that Mr. Jay, whose wife engaged in the real estate business and sold houses to GSA employees was a partner in a deluxe motel venture in downtown Kansas City, and, among other things, was a key figure in contract transactions including one in which work was completed in a Federal office months before bids were invited for performance of the job and questionable tactics were used to screen the irregular procedure.

V. PROJECTED PROGRAM FOR THE REMAINDER OF THE 87TH CONGRESS

A. Program outline:

1. Study legislation referred to the subcommittee.

2. Examine and take necessary action on all negotiated sales and leases of Government property referred to the subcommittee.

3. Study and take necessary action on all GAO reports referred to the subcommittee.

4. Take action on inquiries and complaints within jurisdiction which are filed with the subcommittee.

5. Study progress made subsequent to public hearings of August 1960 regarding Civil Service Commission exceptions in use of specialized registers for hearing examiners.

6. Continue study of manner whereby GSA acquired site for the proposed new Federal building in Dallas, Tex.

7. Observe and evaluate any developments which further effect the seized U.S. Government nickel plant at Nicaro, Cuba, and U.S. nickel-cobalt obligations in connection with private mining operations at Moa Bay, Cuba, and Braithwaite, La. Submit corrected transcript of Nicaro hearing of August 29 and 30, 1961, relative to closedown and subsequent status of the plant, to Public Printer and distribute printed copies upon receipt. Prepare formal report based on information obtained in the hearing.

8. Observe any resumption of proposed sales of communications facilities by the Department of Defense.

9. Maintain liaison with GSA in its efforts to sell the Naval Industrial Shipyard at Newport News, Va., in accord with earlier subcommittee recommendations.

10. Continue study of GSA plans for Government-wide centralized communications.

11. Continue study of GSA use of brokers in disposition of surplus property.

12. Confer further with GSA officials now working out a plan, in accordance with subcommittee recommendation, for the agency to assume more control over disposal operations delegated to the Department of Defense.

13. Update earlier study of GSA's Board of Review, particularly noting status of workload.

14. Prepare for preliminary public hearing scheduled in Washington, D.C., on November 29 and 30, 1961, on H.R. 8248, a bill to provide an orderly program of decentralization and relocation of facilities and personnel of executive agencies.

15. Continue study of GSA plans to dispose of the surplus Keystone Ordnance Works, Crawford County, Pa.

16. Further investigate methods utilized in awarding contracts for cafeteria services in Government buildings in the Washington, D.C., metropolitan area.

INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE

(Hon. L. H. FOUNTAIN, chairman)

I. INVESTIGATIONS

(a) Reports issued:

1. Health Research and Training: The Administration of Grants and Awards by the National Institutes of Health.—House Report No. 321, April 28, 1961 (2d report of committee, 87th Cong.)

This report deals with the grant programs administered by the National Institutes of Health, Public Health Service, for the support of medical and other health-related research and training activities conducted in non-Federal facilities. The report, which is based on a comprehensive study by the subcommittee staff, examines the participation of the Federal Government in the Nation's health research effort and gives detailed attention to the role of NIH in supporting such research, together with training in the health fields. The report evaluates the policies and procedures of NIH for administering its various grant programs. Special attention is given to the problem of determining the Government's obligation for the indirect costs associated with supported research.

The report contains 13 specific recommendations for improving the operation of the grant programs administered by the National Institutes of Health. Detailed information on these programs is given in appendix tables.

2. Consumer Protection Activities of Federal Departments and Agencies.—House Report No. 1241, September 20, 1961 (8th report of committee, 87th Cong.)

This report is the first of a series being prepared in an extensive study of consumer protection activities which the subcommittee is conducting. The 338-page report is based upon factual data obtained from 35 Federal departments and agencies and is believed to be the most comprehensive effort to date to compile basic information concerning the consumer protection activities of the Federal Government. The report describes 103 separate activities which directly protect consumer interests and gives information concerning the number of employees assigned and the approximate annual expenditures for these activities. The report also contains agency comments on the adequacy of resources available for each direct activity from the standpoint of legal authority, personnel, equipment, facilities, and funds. The report lists an additional 150 activities which advance consumer interests or protect them indirectly.

In addition to listing consumer activities by agency, the report also lists them by category according to their nature and purpose. For each category, the report contains a discussion of steps taken to coordinate related activities of various Federal agencies and presents available information concerning similar activities carried on by State and local governmental agencies.

(b) Investigations not resulting in a formal report: In addition to investigations resulting in formal reports, the subcommittee made many other inquiries into activities of the departments and agencies under its jurisdiction. Among the more important matters covered by these investigations are the following:

Activities of the Commodity Credit Corporation: The subcommittee has devoted considerable effort to continuation of its comprehensive inquiry into activities of the Commodity Credit Corporation. Subjects given particular attention include:

Government financed exports of agricultural commodities: Since the passage of Public Law 480 in 1954, sales of agricultural commodities for foreign currencies and other Government financed exports have totaled nearly \$10 billion—more than a third of all

U.S. agricultural commodity exports during this period. In most instances, the commodities financed have also been sold or subsidized for export by the Commodity Credit Corporation.

Conflicts of interest: The subcommittee is examining the extent to which the Department of Agriculture has established and enforced adequate policies and procedures to protect against conflicts of interest in connection with CCC activities.

Price support, production adjustment and storage activities: These activities require—and are likely to continue to require for a number of future years—expenditure of hundreds of millions of dollars annually.

Coordination of investigative and enforcement activities: The subcommittee is examining the extent to which departments and agencies having investigative or enforcement responsibility involving similar or related matters coordinate their activities in order to avoid duplication of effort and best serve the public interest.

Antitrust law violations: The subcommittee is studying precautions taken to guard against violations of the antitrust laws in connection with Government procurement and other Government programs.

(c) Monetary savings or recoveries as a result of investigation:

Health research and training:

As a result of the Subcommittee's investigation of the grant programs administered by the National Institutes of Health, NIH has discontinued its former practice of making an indirect cost payment equal to 15 percent of the direct costs of a project regardless of whether and the extent to which indirect costs are actually incurred by the grantee institution when research is performed outside the institution. Although it is not feasible to estimate the total money saving which will result from this action, it might be noted that NIH makes grants of \$2.4 million or more each year to non-Federal institutions for research performed in Veterans Administration hospitals. Since the VA actually bears the bulk of the indirect costs for this research (the grantee institution's expense being limited mainly to paperwork), it is estimated that the saving to the Federal Government in the indirect cost allowance for these projects alone will amount to at least \$200,000 a year.

During the course of the Subcommittee's investigation, NIH changed its policy of permitting commercial firms to take title to the ownership of equipment purchased from NIH grants. Now equipment purchased with funds from a grant will remain the property of the Public Health Service.

Also in response to the Subcommittee's work, NIH is proceeding to initiate a number of management improvements in its grant programs, including the systematic financial review of the budgetary requirements of grantees. This action should lead to significant money savings.

Government financed export transactions: The subcommittee's investigation of Government-financed exports of agricultural commodities has resulted to date in identifiable refunds or recoveries in excess of \$100,000, together with recurrent annual savings of approximately \$1 million through new contracts for furnishing of recombined milk for troops in Japan, Okinawa, and Guam. Substantial additional savings or recoveries may result from other matters on which action is currently being considered.

(d) Other remedial measures taken and nonmonetary benefits:

Health research and training: In addition to achieving greater economy in the NIH grant programs, it is expected that the Committee's recommendations will result in improved administrative policies and practices which will strengthen the effectiveness and productivity of these important research and training programs.

Consumer protection: In its study of consumer protection activities, the subcommittee gave particular attention to a 1960 Agriculture Department order allowing addition of 10-percent water to federally inspected hams. This order has been rescinded by the Department of Agriculture.

Antitrust law violations: Weaknesses in Agriculture Department procurement procedures disclosed by executive hearings were called to the attention of that Department. A number of matters indicating possible antitrust law violations were referred to the Department of Justice and are currently under investigation by its Antitrust Division.

Commodity Credit Corporation activities: As a report of information developed in the subcommittee's investigation, the Department of Agriculture reported it had taken action to prevent appointment of State ASC Committeemen whose private interests might conflict with their public responsibilities.

The subcommittee's investigation disclosed that the Department of Agriculture had no centralized control records to show actions taken on reports from overseas indicating irregularities in departmental programs. Such records are now being established by the Department.

The subcommittee chairman met with the Secretary of Agriculture to bring to his attention some of the more significant matters disclosed by the subcommittee's investigation of CCC activities. A number of additional meetings between the subcommittee counsel and newly appointed policy making officials of the Department of Agriculture were held in order to discuss significant disclosures in current and past subcommittee investigations. As a result, the Department has taken some action to improve its procedures and further action is under consideration.

Coordination of investigative and enforcement activities: The subcommittee's examination of coordination of Government investigative and enforcement activities is still in its early stages. However, it appears a number of matters already called to the attention of appropriate Government agencies and being further investigated by those agencies may result in substantial savings or recoveries.

(e) Days of hearings held:

Executive hearings were held on July 11 and 13, and public hearings on August 1 and 2 (4 days).

II. LEGISLATION

(a) Number of measures referred to the subcommittee: Ten identical bills were referred to the subcommittee; H.R. 7802, H.R. 7803, H.R. 7804, H.R. 7805, H.R. 7808, H.R. 7814, H.R. 7892, H.R. 7928, H.R. 8310, H.R. 8534. These bills would provide for periodic congressional review of Federal grants-in-aid to State and local units of government.

(b) Reports issued: A draft report on H.R. 7802 has been prepared for consideration by the subcommittee.

(c) Days of hearings held: Hearings on H.R. 7802 and identical bills were held 2 days, July 25, and 27, 1961.

III. REPORTS RECEIVED SUCH AS NOTICE OF NEGOTIATED SALES, GENERAL ACCOUNTING OFFICE AUDIT REPORTS, AND SIMILAR MATTERS WHICH ARE NOT LEGISLATION

(a) Number of each received: Seventeen formal reports to the Congress by the General Accounting Office were referred to the subcommittee during the first session of the 87th Congress. In addition, the subcommittee requested and received from the GAO a number of reports made to executive agencies. These documents have been or are being studied by the subcommittee.

At the request of the subcommittee, the General Accounting Office made a number of special reports concerning matters involving possible violations of antitrust laws.

IV. PRIOR ACTIVITIES OF THE SUBCOMMITTEE OF CURRENT OR CONTINUING INTEREST

(a) Cumulative money savings or recoveries:

Grain storage: The subcommittee's investigation of CCC grain storage activities during the 86th Congress was a contributing factor in action taken by the Department of Agriculture to reduce storage rates approximately 19 percent. Estimated savings because of this reduction during fiscal year 1961 alone were about \$80 million. It is anticipated that additional savings of around the same amount will be realized during the current fiscal year.

Production adjustment: The subcommittee's 1960 report on price support and production adjustment activities pointed out the tremendous costs of storing grain acquired as a result of programs providing price supports without production controls. The new feed grain program put into effect in 1961 restricts eligibility for price support to those producers who comply with acreage limitations. It is expected that this program change will result in very substantial savings.

Cheese and butter transactions: As of October 1961, total recoveries in cheese and butter transactions investigated by the subcommittee reached \$2,319,187.70.

(b) Other affirmative benefits: During the 85th Congress, in connection with its report on Federal procurement of polio vaccine, the subcommittee recommended that the Justice Department conduct an investigation to determine whether there were antitrust law violations in the sale of other drugs and hospital supplies. The subcommittee was later advised by the Justice Department that possible violations of antitrust laws were being investigated in connection with the sale of four major categories of drugs or hospital supplies. In August 1961, three drug firms and three of their officers were indicted on charges of antitrust violations in connection with the sale of antibiotics.

V. PROJECTED PROGRAM FOR THE REMAINDER OF THE 87TH CONGRESS

Health research and training: The subcommittee will continue its surveillance of the research and training grant programs administered by the National Institutes of Health and, in addition, will give attention to the agency's policies and procedures in contracting for research.

Metropolitan area problems: The subcommittee will continue its study of intergovernmental relations with the consideration of an appropriate role for the Federal Government in meeting the governmental problems of our rapidly growing metropolitan areas. To facilitate this work, the subcommittee has invited comment from a number of prominent political scientists on a recent report by the Advisory Commission on Intergovernmental Relations on "Governmental structure, organization, and planning in metropolitan areas." It is expected that these commentaries, together with the Commission's report, will provide valuable background for public hearings and further subcommittee consideration of this important matter.

Consumer protection: The subcommittee will study Federal-State-local relationships in the field of consumer protection, with particular attention being given to activities for the protection of the public with respect to food, drugs, and cosmetics, false and misleading advertising, and deceptive practices.

Commodity Credit Corporation activities: The subcommittee will continue its investigation of CCC activities. It is anticipated that reports will be prepared on several additional phases of its investigation.

Antitrust law violations: The subcommittee will continue its examination of precautions taken to guard against violations of the

antitrust laws in connection with Government procurement and other Government programs.

Coordination of investigative and enforcement activities: The subcommittee will continue its examination of the extent to which departments and agencies having investigative or enforcement responsibility involving similar or related matters coordinate their activities in order to avoid duplication of efforts and best serve the public interest.

FOREIGN OPERATIONS AND MONETARY AFFAIRS SUBCOMMITTEE

(Hon. PORTER HARDY, JR., chairman)

I. INVESTIGATIONS

(a) Reports issued:

1. House Report No. 795, 87th Congress, U.S. aid operations in Peru, issued July 26, 1961.

This report resulted from a comprehensive study of the U.S. aid program in Peru for the period 1955-60. It was the purpose of the study to determine whether the program, during that period of time, had been administered efficiently, economically, and according to law.

The report concluded generally that the principal deficiencies in the U.S. aid program in Peru during the period 1955-58, stemmed from the combination of an entrenched U.S. operations mission director who did not measure up to his responsibilities, and the failure of ICA/Washington to exercise supervision and control over his activities.

Specifically, the report concluded, in part:

1. Drought relief:

a. The USOM director (John R. Neale) divested himself of responsibility for this program by turning over its administration almost entirely to the Peruvian Government, without the knowledge of ICA/Washington, and in the face of a warning by the then U.S. Ambassador (Ellis O. Briggs) that the local government lacked the experience and facilities to cope with a program of such magnitude.

b. Almost 25 percent of the food provided remained undistributed at the time the drought was officially declared over by the Government of Peru; almost one-half of this amount still remained in the warehouses a year later.

c. Sales of grain generated the local currency equivalent of \$3,600,000. Such sales were authorized by the agreement between the United States and Peru, providing that such funds were to be used to pay the wages of drought victims employed on work relief projects. However, as a result of Neale's failure to carry out his duties as USOM director, at least 60 percent of the sales proceeds were used improperly, that is, contrary to the uses contemplated when this program was inaugurated. The lack of adequate USOM and ICA/Washington records makes it impossible to determine what portion of the balance may also have been improperly used. An instance of improper use was the unapproved construction of eight houses at Puno and their sale, below cost and on an installment basis, to prominent persons in the town.

2. Road project: A \$2 million loan to Peru, intended to aid its economy through construction of a road to open isolated areas for agricultural development and colonization, was the subject of such faulty and inadequate planning that after construction had actually started the route had to be completely changed, when belated soils tests established that the area to be served by the original route was unsuitable for farming. The road, finally constructed under this loan ended in the middle of nowhere—"on the side of a mountain"—at a point about halfway along the projected route, where the project ran out of funds.

3. Pampas de Noco: A \$125,000 irrigation project built at Pampas de Noco does not irrigate:

a. The significance of this particular failure lies in the stubbornness with which USOM Director Neale continued the project even after he had received competent technical advice that the project was not feasible.

b. The reason the project was not feasible seems incredible, in any properly planned irrigation project—it was simply that there was not enough water available in the area to make use of the projected irrigation works.

4. Conflict of interest: USOM Director Neale entered into a conflict of interest situation for personal profit when he organized and invested in the corporation, Negociacion Bazo Velarde, S.A., for the purpose of operating a farm which was receiving aid under the U.S. program. He failed to inform his superiors of his participation in this operation.

a. ICA/W had information which should have compelled the pursuit of an inquiry into possible conflict of interest on the part of Neale for some 4 years before effective action was finally taken.

b. Even at Neale's administrative hearing, where the record clearly demonstrated that Neale was in fact in conflict of interest, both Regional Director Atwood and Ambassador Achilles persisted in impressing upon the board their beliefs that Neale was simply a victim of spite on the part of complainants.

c. ICA/W investigative personnel, Thomas E. Naughten, Michael Ambrose, Robert L. Shortley, and Charles A. Gannon, all demonstrated a peculiar disinterest in determining the validity of charges made concerning Neale's conflict of interest. This performance, inconsistent with what appears to be adequate investigative experience in the backgrounds of these men, points to a conclusion that ICA did not require, nor did they employ their best talents.

5. Internal audits: A lack of adequate internal audit facilities contributed to the difficulties experienced with the program in Peru, since the USOM was frequently unaware of developing difficulties for substantial periods.

a. The failure of the USOM to submit, or ICA/W to request, the submission of such internal audit reports as were made indicates a high degree of laxity at managerial levels both in Washington and in the field.

b. There were no end-use checks made of the drought program.

6. Poor supervision: Rollin S. Atwood, regional director, Office of Latin American Operations, ICA/W, did not properly perform his functions as the official primarily responsible for the effective operations of the U.S. aid program in Peru.

7. Investigative shortcomings: The Office of the Inspector General and Comptroller and its predecessor, the Office of Personnel Security and Integrity, ignored serious charges and delayed action in cases where prompt and adequate investigation might have proved embarrassing to ICA, the USOM, or to Neale.

The subcommittee recommended:

(1) That administrative action be initiated to prevent USOM directors and other key overseas personnel from becoming entrenched, as Neale did in Peru. Consideration should be given to developing, publishing, and adhering to a rotation policy limiting the tours of duty of such personnel.

(2) That before proceeding with any project, USOM directors be required to submit to Washington evidence of its technical and economic soundness, since roads that lead nowhere and irrigation projects that do not irrigate have a reverse impact on U.S. policy objectives, and add little or nothing to the economy of the recipient country.

(3) That policies and procedures for the administration of surplus agricultural commodity programs, such as the drought-relief program in Peru, be developed, published, and adhered to, including clear provisions

relating to distribution, accounting, and accountability.

(4) That investigative and audit functions concerned with the aid program be improved, either through administrative action or legislative requirement, to guarantee the independence of such functions from interference by administrative officials. In this connection consideration should be given to:

a. Making the investigative and audit division chiefs directly responsible to the most senior aid officials and to no other administrative officials;

b. Giving individual auditors and investigators the right and requirement to report immediately in writing to their division chiefs any action or communication from any administrative official tending to obstruct or restrict the investigation or audit;

c. Requiring the division chiefs to forward such reports to the most senior aid official without delay;

d. Requiring division chiefs to report to the senior aid official, on a periodic basis, a record of the closing or other disposition of audits and investigative cases (other than routine security clearances) together with detailed reasons for the closing or suspending of unresolved cases.

(5) That the usefulness of internal mission audits and end-use audits be increased by requiring copies of them to be forwarded to the most senior aid officials, simultaneously with their submissions to mission directors.

2. House Report No. 1250, 87th Congress, Cambodian Port Highway: A supplemental report, issued September 21, 1961.

This report resulted from the subcommittee's inquiry into the present status of the \$34 million 132-mile long Khmer-American Friendship Highway connecting the capital city of Phnom Penh with the port of Sihanoukville on the Gulf of Siam. The road, which was completed in June 1959, designed and built by American contractors and paid for by ICA, had been studied by the subcommittee in 1957-1958 and treated with in House Report No. 2012, 85th Congress, "Foreign Aid Construction Projects", issued June 26, 1958.

The subcommittee's principal findings and conclusions were that:

"On December 31, 1955, the engineering firm of Michael Baker, Jr., Inc., entered into a contract with the Government of Cambodia to design, supervise, and inspect the construction operations required to complete, in accordance with the latest U.S. techniques and methods, the above highway.

"The construction contractor, A. L. Dougherty Overseas, Inc., began operations under a letter agreement dated August 28, 1956. The construction was completed in May 1959, approximately 1 year behind original schedule, and the road was turned over to the Cambodian Government in July of that year.

"Almost immediately the road began to deteriorate, and in December 1959 a USOM highway engineer reported that the failure was due to serious deficiencies in either engineering or construction, or both.

"On the basis of evidence developed to date, ICA's engineering reports indicate that more than one-third of the road will require major repairs or rebuilding.

"The road, which was intended to be a showcase of American know-how, was so badly bungled that it has damaged our prestige, burdened us with costly repairs, and supplied the Communists with an effective source of anti-American propaganda."

The subcommittee recommended:

(1) That the Department of State and ICA keep in mind the irreparable harm that can be done to the prestige of the United States by the failure of any part of our foreign aid program. Since failure of "impact projects," such as the Cambodian highway, can be especially harmful, steps should be

taken immediately to insure the success of each through adequate and intelligent planning, execution, and administration.

(2) That the Office of the Inspector General complete without further delay the investigation necessary to fix responsibility for the road failures, and, if the findings warrant, transmit a copy thereof to the Department of Justice and the General Accounting Office for review and such action as may be appropriate.

(3) That ICA replace generalities with specific language to define the authority and responsibility delegated to USOM personnel for the exercise of control over contractual operations.

(4) That, as recommended in the subcommittee's 1958 report (H. Rept. 1012, 85th Cong., 2d sess., "Foreign Aid Construction Projects"), ICA strengthen its program of personnel integrity.

(b) Investigations not resulting in a formal report:

1. Conducted an inquiry into the circumstances of the State Department's decision to permit the display of the Panamanian flag in the Canal Zone.

2. A country study of all U.S. programs in Bolivia.

3. Reviewed the Development Loan Fund operations in Peru, Bolivia, Chile, Argentina, Brazil, and Uruguay.

4. Examination of selected development loans in countries other than Latin America as questions arose as to whether the provisions of such loans were in accord with statutory requirements.

5. Reviewed work papers of various ICA internal audits of country programs as questions arose concerning such audits.

6. Checked information received from various informants alleging foreign aid irregularities.

7. Initiated an inquiry into the extent to which ICA and the Department of Agriculture are conforming to statutory marking requirements on all commodity containers used in shipments of food surpluses under the programs of the ICA voluntary aid agencies.

(c) Monetary savings or recoveries as a result of investigation:

The principal concern of the subcommittee, especially in the case of the mutual security program, is the conservation of funds through more effective planning and more efficient practices within the agencies handling those funds. Although this produces a greater return for tax dollars spent, it does not generally lend itself to an accurate quantitative measurement of savings.

However, in the case of the Cambodian highway investigation, it is possible that the U.S. Government may recover from \$2½ to \$3 million from the contractors involved.

(d) Other remedial measures taken and any nonmonetary benefits:

Under date of August 18, 1961, the Director of ICA advised the subcommittee that the recommendations contained in its report "U.S. Aid Operations in Peru," are receiving the agency's most careful consideration as it proceeds with the task of organizing a new agency to carry on the mutual security program and establishing procedures for that agency. The Director stated, "In general the recommendations of the subcommittee appear to offer practical solutions to the problems noted in the report." He further stated that many recommendations previously made by the subcommittee have been adopted and have resulted in improved administration.

Following its investigation of certain road contracts which had been awarded to the contractor who built the Cambodian port highway, the U.S. Corps of Engineers disqualified that contractor from bidding on the \$40 million construction of the main section of the Afghanistan regional highway project. The Corps of Engineers ruled that

the firm was ineligible to bid on grounds that included poor performance in Cambodia.

During the subcommittee's inquiry into possible failure on the part of voluntary relief agencies to conform with statutory marking requirements on all commodity containers used in shipments of food surpluses under the ICA Public Law 480 program, the voluntary agency whose alleged noncompliance had caused the initiation of the inquiry, issued letter instructions to its agents to prevent the recurrence of such incidents.

(e) Days of hearings held:

	Days
1. Peru investigation.....	10
2. Afghanistan highway.....	3
3. Cambodian highway.....	1
4. Bolivian aid program.....	1
Total.....	15

II. LEGISLATION

(a) Number of measures referred to the subcommittee:

1. H.R. 8793, 87th Congress, by Congressman HARDY, to amend section 313 of the Budget and Accounting Act of 1921 to require the furnishing of certain efficiency records and other material to the Comptroller General of the United States.

(b) Reports issued: None.

(c) Days of hearings held: None.

III. REPORTS RECEIVED SUCH AS NOTICE OF NEGOTIATED SALES, GENERAL ACCOUNTING OFFICE AUDIT REPORTS, AND SIMILAR MATTERS WHICH ARE NOT LEGISLATION

(a) Number of each received:

The subcommittee has received 15 reports to the Congress by the Comptroller General of the United States.

(b) Action taken:

1. Audit of Federal Savings and Loan Insurance Corporation supervised by Federal Home Loan Bank Board, year ended June 30, 1960. No action contemplated at this time.

2. Audit of the Office of Defense Lending, Treasury Department, for fiscal year ended June 30, 1961. Audit disclosed no deficiencies requiring action.

3. Audit of the Federal Deposit Insurance Corporation for year ended June 30, 1960. GAO recommended amendments noncontroversial. Inquiry disclosed Treasury not pressing for legislation at this time. No action contemplated.

4. Audit of Federal home loan banks supervised by Federal Home Loan Bank Boards, year ended June 30, 1960. Audit disclosed no matters requiring action.

5. Audit of Export-Import Bank of Washington, fiscal year 1960. Audit disclosed no matters requiring action.

6. Audit of Development Loan Fund, fiscal year 1960. Report being used in connection with present study of aid program in Latin America.

7. Review of mutual security program presentation to the Congress for fiscal year 1961 for economic assistance to Korea, Pakistan, and Vietnam, Department of State. No action at this time. May be used for next session.

8. Review of negotiation and administration of selected construction and technical service contracts, ICA, Department of State, fiscal years 1958-60. Report covers most points treated in prior studies of subcommittee. Used in connection with examination of ICA Afghanistan highway contracts. No further action at this time.

9. Audit of Federal Home Loan Bank Board, fiscal year 1960. No action contemplated at this time.

10. Review of civilian and military personnel utilization in district offices and of certain military pay functions, U.S. Coast Guard, Treasury Department, June 1960. In view of recommended Treasury studies, no action by subcommittee contemplated at this time.

11. Audit of Bureau of Engraving and Printing, Treasury Department, fiscal years 1959 and 1960. No further action contemplated at this time.

12. Examination of economic and technical assistance program for Iran, ICA, Department of State, fiscal years 1956 and 1960. Reviewed and held in pending status for possible consideration next session.

13. Review of permissive activities relating to the manufacturing and taxation of distilled spirits, wine, beer, and tobacco products of the Alcohol and Tobacco Tax Division, Internal Revenue Service, Treasury Department, November 1960. Reviewed and held in pending status for possible consideration next session.

14. Review of power activities, U.S. section—International Boundary and Water Commission; United States and Mexico, Department of State, fiscal year 1958-60. Reviewed and discussed with GAO. Will follow up to determine Department of Interior compliance with GAO recommendations.

15. Examination of the economic and technical assistance program for Thailand as administered by the ICA, Department of State, under the mutual security program for fiscal years 1955 through 1960. Reviewed and held in pending status for possible consideration next session.

IV. PRIOR ACTIVITIES OF THE SUBCOMMITTEE OF CURRENT OR CONTINUING INTEREST

(a) Cumulative money savings or recoveries:

(See I(c) above.)

(b) Other affirmative benefits:

(See I(c) above.)

Under date of September 18, 1961, the Comptroller General directed a letter to the chairman of this subcommittee reading in part as follows:

"By highlighting significant deficiencies in the Peru aid program, the subcommittee has alerted the responsible agencies to the urgent need for effective supervision of all foreign aid operations and thus made an important contribution to better administration of the foreign aid program."

V. PROJECTED PROGRAM FOR THE REMAINDER OF THE 87TH CONGRESS

1. Continued study of operations of the mutual security program in several Latin American countries.

2. Continued study of marking requirements on containers used in shipment of Public Law 480 surplus food.

3. Study of certain of the functions and operations of the Office of Emergency Planning with particular emphasis on the rubber stockpiling program.

SPECIAL SUBCOMMITTEE ON DONABLE PROPERTY (Hon. JOHN W. MCCORMACK, chairman)

I. INVESTIGATIONS

(a) Reports issued: No formal investigative reports.

(b) Investigations not resulting in a formal report:

The subcommittee, during the 1st session of the 87th Congress kept in close contact with the various executive agencies connected with the donable program as well as the State agencies for surplus property. Staff of the subcommittee has several problems under careful scrutiny and has been investigating them informally.

The staff administrator has attended several meetings this session. He attended regional meetings of the Department of Health, Education, and Welfare in Washington and Newington, Conn., a seminar at the University of Massachusetts, a dedication and meeting in Dayton, Ohio where the University of Dayton has received surplus property for their school; visited the industrial school at Piketon, Ohio, where they are using many useful items of machine tools. In July the staff administrator attended the

annual conference of the National Association of State Agents for Surplus Property at Phoenix, Ariz. En route to the meeting he stopped at Flint, Mich.; Dayton, Ohio, and the Davis-Monthan Air Force Base at Phoenix to investigate supply management operations.

The chairman of the subcommittee has requested the Secretary of Health, Education, and Welfare to cooperate with the State agencies and the subcommittee staff in investigating all possible ways of streamlining donable property administration in order to reduce costs and to contribute the maximum possible to the constructive purposes of the program. The Secretary agreed to do this; and a joint conference is planned at Seattle, Wash., during the week of October 16.

(c) Monetary savings or recoveries as a result of investigation:

During the fiscal year 1961, a total of \$318,765,361 in surplus property, at acquisition cost, was received by the States. Despite the fact that a total of \$318,765,361 was transferred during fiscal year 1961 and a total of almost \$400 million in fiscal 1960, the Secretary of Health, Education, and Welfare states that the needs for institutions of public health, education, and civil defense, have not been met and this is readily understandable since there are at least 254,000 eligible institutions in the United States.

There is a continual expansion in the number of eligible donees as the Nation's population expands, and it would be difficult to estimate the amount of useful and needed surplus property that could be properly absorbed by these institutions.

The transfer of \$318,765,361 in surplus property to donee institutions constitutes a saving to the taxpayers of many millions of dollars, since the property, if sold, would have returned no more than 5 percent on the average.

(d) Other remedial measures taken and nonmonetary benefits:

The Department of Defense has announced that the regulations have been amended to permit a longer screening time for non-reportable property to education, public health, and civil defense units. This was the result of a joint study by General Services Administration, Department of Defense, Bureau of the Budget, and the State agencies. The study was instituted as a result of a request to the Bureau of the Budget by the chairman of the Special Subcommittee on Donable Property.

On February 2, 1961, the subcommittee staff developed information that tax refunds, approximately \$4 billion, are annually due on some 35 million returns. Consequently, if the submission of returns and payment of the refunds were expedited, large sums of money would be put in circulation as a stimulant to the economy. Furthermore, such a procedure would not cost anything, since the refunds are legal obligations against the Government.

A short memorandum developing this idea was prepared and the majority leader presented it at the next leader's meeting with the President. The Commissioner of Internal Revenue considered the idea favorably and issued instructions to the field to advise the public that speedy action would be given to requests for refunds. As a result, a large sum of money was placed in circulation; and this has been one of the successful recovery measures which is referred to by the President's Economic Advisers.

(e) Days of hearings held: None.

II. LEGISLATION

(a) Number of measures referred to the subcommittee: 38 bills were referred to the subcommittee.

(b) Reports issued: House Report 561 (H.R. 5096) (S. Rept. No. 271 (S. 796)), to authorize the use of surplus personal property by State distribution agencies. Passed the House July 10, 1961—passed the Senate May 26, 1961—approved July 20, 1961. (Public Law 87-94).

At the request of the chairman of the subcommittee, the staff worked with the staff of the Foreign Affairs Committee and officials in the State Department (ICA) to amend section 608 of S. 1983 (H.R. 8400) concerning the amount of domestic excess property to be made available for foreign-aid programs. As originally drafted, the bill would have permitted an unlimited amount to be taken, thus seriously affecting our own donee institutions, since the donable program is based on surplus property; that is, excess property not required for the needs of Federal agencies. Section 608, as amended, permits ICA to utilize \$45 million of domestic excess property for the foreign aid programs (Public Law 87-195).

(c) Days of hearings held: None.

III. REPORTS RECEIVED SUCH AS NOTICE OF NEGOTIATED SALES, GENERAL ACCOUNTING OFFICE AUDIT REPORTS, AND SIMILAR MATTERS WHICH ARE NOT LEGISLATION

(a) Number of each received: One Executive communication, No. 174, consisting of a letter from the General Services Administration, dated December 30, 1960, was received by the subcommittee.

(b) Action taken: This report concerned the proposal of the General Services Administration to receive papers and other historical materials of former President Herbert Hoover for a presidential library at West Branch, Iowa. On March 1, 1961, the subcommittee took unanimous affirmative action to accept the proposal of the General Services Administration.

IV. PRIOR ACTIVITIES OF THE SUBCOMMITTEE OF CURRENT OR CONTINUING INTEREST

(a) Cumulative money savings or recoveries: Covered below.

(b) Other affirmative benefits: On August 31, 1961, the Secretary of Defense, Robert S. McNamara, announced the establishment of a Defense Supply Agency (DSA). This action will bring about the consolidation of several common supply and service activities in the three military departments with an anticipated savings of some \$2 billion annually. This action by the Secretary stems in large part from the authority of the McCormack-Curtis amendment to the DOD Reorganization Act of 1958.

V. PROJECTED PROGRAM FOR THE REMAINDER OF THE 87TH CONGRESS

As indicated above, there has been a reduction in the amount of surplus property available for the donable program. This results from better management and utilization in the Department of Defense and by the General Services Administration in the civilian program.

It is expected that the establishment of the Defense Supply Agency will bring about still further progress in the Department of Defense and that the amount of surplus property will continue to decrease after consolidated common use inventories are brought under management control by the new agency.

It is, therefore, essential that those responsible for the donable program in the Executive and State agencies take advantage of all available surpluses for the unlimited needs of education, health, and civil-defense institutions. A program for the purpose as outlined above (I(b)), together with the analysis, evaluation, and disposition of pending bills, will constitute the projected program for the remainder of the 87th Congress.

SPECIAL GOVERNMENT INFORMATION SUBCOMMITTEE

(Hon. JOHN E. MOSS, chairman)

I. INVESTIGATIONS

(a) Reports issued:

1. House Report No. 818, "Availability of Information From Federal Departments and Agencies" (progress of study, July-December 1960), issued July 28, 1961.

A major purpose of this report is to record the results of the subcommittee investigation during the last 6 months of the 86th Congress into improper restrictions on Government information. Also included in the report is an analysis of the Executive order establishing the system of restrictions on military information and a case study of a dramatic resolution of an attempt to use the claim of Executive privilege to withhold information from Congress.

Of the 28 cases discussed in this report, definite improvements in information availability can be reported in 11 instances. In 12 cases there was no change in the policy of restriction, and mixed results characterize the remaining 5 cases.

Improvements in information availability

1. The Department of Defense after long delay promulgated a directive establishing an automatic time-ladder method of downgrading various kinds of classified documents.

2. The Department of Defense modified a basic form used in the industrial security program in order to prevent needless and wasteful overclassification.

3. The Air Force abandoned its attempt to keep from the public the names of generals qualifying for flight pay without the necessity of flying.

4. The Air Force completed a lengthy review of questionable material in one of its training manuals and rescinded the publication in question.

5. The Navy conceded that one of its censors had been "overzealous" in deleting material from a manuscript submitted for security review.

6. The Navy reconsidered its claim of secrecy for the prices paid manufacturers of jet aircraft engines and made public all such information except classified data.

7. The Navy expunged from the records of Navy Band members adverse entries made in retaliation against their criticizing the handling of information about the air crash at Rio de Janeiro.

8. The Department of Labor reversed the policy under which it had kept secret the facts about growers found guilty of violating the Mexican labor agreement.

9. The Coast Guard reaffirmed its intention to make available to the public as soon as possible information about violations of the Motorboat Act.

10. The Atomic Energy Commission finally released to Congress and the public photographs of the 15-year-old nuclear bombs, many years after they had been declassified.

11. The White House revised the basic Executive order setting up the military classification system so as to limit the number of agencies which can restrict information.

Continued restrictions on information availability

1. The Department of Agriculture persisted in contending that the people have no right to know about Government contracts.

2. The Department of Agriculture refused to make available to the public minutes of an advisory committee meeting dealing with management of national forest land.

3. The Army admitted it had managed release of information about helicopter test results in order to gain publicity, and denied that such news management infringed on the people's right to know.

4. The Navy refused to provide materials needed by Congress for a study of Navy information clearance procedures.

5. The Department of Interior withheld a procedural memorandum from the public despite questions raised as to its authority to do so.

6. The Department of Labor persisted in its refusal to provide Members of Congress or the public information about out-of-court settlements of wage-hour violations.

7. The Department of State refused to review newly imposed restrictions on availability of historical documents to scholars and students.

8. The Internal Revenue Service formalized the policy of cloaking in secrecy the names of persons or firms commenting on proposed changes in tax regulations.

9. The District of Columbia Commissioners declined to open their legislative meetings to the public, claiming that the law is silent on the matter.

10. The Federal Aviation Agency refused to discontinue its discriminatory policy among news media and make available tape recordings of commercial airplane crash sounds.

11. The Federal Aviation Agency continued to withhold from State aviation agencies reports of probable cause of airplane accidents.

12. The U.S. Information Agency, backed up by President Eisenhower, refused to make available to Congress public opinion polls obtained at public expense.

PARTIAL IMPROVEMENT IN INFORMATION AVAILABILITY

1. Although the Army conceded that a press dispatch had been improperly censored by one of its civilian personnel, it did nothing to correct the situation except issue a brief memorandum.

2. The Army finally released to the public an unclassified report that it had been requested by another agency to suppress, but in doing so maintained that it had the right to withhold such information.

3. The Army refused to make public information about unsuccessful bids, although the information was given to a Member of Congress, thus reversing an earlier refusal.

4. The Army withheld, until 1 day after the election, an unclassified report analyzing testimony given in public before a committee of Congress.

5. The Post Office Department clarified regulations on withholding certain personnel information but declined to seek specific statutory authority for the withholding.

2. House Report No. 1215, Availability of Information From Federal Departments and Agencies (Telephone Monitoring), issued September 19, 1961.

This report lists the results of a questionnaire sent to 37 Federal agencies on the practice of monitoring Government telephone calls which is not a planned development; it has just grown. Usually under no regulations—often without even the knowledge of responsible officials—it has become commonplace for a secretary or an electronic recording device to be listening in on many Government telephone calls.

A table summarizes the telephone monitoring practices in the 37 Federal agencies contacted. For purposes of the inquiry, telephone monitoring was defined to include electronic transcriptions as well as "a secretary or any other person being on the line for the purpose of taking either a verbatim or partial transcript of the conversation, whether or not the person on the other end of the conversation is notified of the monitoring." The summary shows that "33 of the 37 Federal agencies permit telephone monitoring; 21 have no regulations controlling telephone monitoring; 17 do not always require the other party to be warned a call is monitored."

As a result of the subcommittee's inquiry, many Government agencies apparently took a careful look at telephone monitoring practices for the first time. Seven agencies established telephone monitoring regulations after the inquiry, for example.

After the subcommittee's inquiry was initiated, reports were received that many Government telephones were equipped with special listening-in devices. Two systems in use are: the transmitter cutoff switch installed on Government telephones for an extra charge of 25 cents a month and the listening-in circuit which costs 75 cents a month extra.

In view of the facts uncovered in the survey of telephone monitoring practices, the House Government Operations Committee concluded that—

Big brother may not be watching you, yet, but his secretary probably is listening in on your telephone calls to Government agencies. This telephone eavesdropping should be banned and all types of listening in should be tightly controlled by clear regulations which, at the very minimum, require Government officials to warn callers of telephone monitoring. When this is done it is unlikely that the Government will have to run up a monthly telephone bill for secret snooping devices to permit telephone eavesdropping.

The committee states that a complete survey of telephone monitoring practices in Federal Government is indicated to determine, among other things, exactly how many telephone listening-in devices the Government rents. The committee recommended that:

1. Every Government agency should control telephone monitoring by clear, written regulations.

2. The regulations should ban telephone eavesdropping.

3. The regulations should ban use of recording devices unless there is advance notice to the other party.

4. The regulations should clearly specify that advance notice must be given whenever a secretary or any other person is placed on the line for any purpose whatsoever.

3. House Report 1257, "Availability of Information From Federal Departments and Agencies" (progress of study, January-August 1961), issued September 22, 1961.

This report results from a decision, early in the 87th Congress, that the same procedures the subcommittee had followed in past studies would be employed with the new administration. Such a decision followed naturally from earlier findings that the problem of secrecy in Government is not a partisan one, but stems from the nature of bureaucracy as well as from the ever-present influence of military secrecy. Therefore, the subcommittee set out to investigate reports of continuing restrictions on the availability of information from Federal departments and agencies, to confer with the new administrators and executives on these restrictions, and to report the results of its studies to the committee and the Congress.

There were information problems left over from the previous administration in some 13 Federal departments and agencies. In addition to bringing these to the attention of the new administration, the subcommittee also worked on an equal number of new information restrictions which developed after the present administration took over. This report covers the attempts to clear up past information problems as well as the efforts to remove new information restrictions which arose during the first 8 months of the present administration.

The report includes a summary of each of the 34 information cases covered, a section setting forth findings and conclusions based on the cases, and a section covering the details of each of the cases.

The report states that most of the leftover information problems have been solved. Ac-

tion came in nearly every case after a reminder from Congress of the President's unequivocal stand on freedom of information. And in those cases where congressional pressure was not enough, the weight of the White House was added to help reestablish the people's right to know.

Commenting on new information problems which have arisen this year, the report states that the experience of the present administration with its own information problems shows that a thin veneer of new leadership, superimposed on the massive bureaucracy, is not enough to prevent secrecy-minded career officials from equating secrecy with good government. But day-by-day pressure from above can prevent secrecy from becoming a way of life in government.

In a special comment on military information problems, the report concludes that the reaction of the new officials of the present administration, as they faced the military-security information problems which have plagued democratic government since its inception, appeared to be confusion at first, followed next by a desire to hide the ugly facts on international life from the American public, and finally by a firm resolve to protect the people's right to know both the good and the bad. Translating that resolve into effective information practices is one of the crucial challenges the new administration faces.

(b) Investigations not resulting in formal report:

Additional subcommittee activities, not covered in the formal reports, include extensive assistance to Members and committees of Congress, and Members of the House and Senate in removing restrictions on information and solving related problems. Similar assistance has been provided regularly for other researchers and historians. Specific investigations also have been made of the following matters:

1. The head of the Federal Bureau of Prisons, Mr. James V. Bennett, took steps to force a broadcasting company and a number of local television stations to make changes in certain episodes of "The Untouchables."

2. Comdr. John James, USN, was relieved of his duties in the Clearance Branch, Office of the Chief of Information, following clearance of a magazine article. The Navy contended the action was a routine administrative shift.

3. The Air Force delayed announcing the cause of the crash of a B-52 in northern California, later reporting the crash due to gasoline shortage caused by a number of complicating circumstances.

4. The Federal Communications Commission, in letters to thousands of local radio stations, attempted to impose "national defense" secrecy restrictions on seemingly routine data. Investigation revealed, however, that the Commission had a unique problem, because certain information could apparently not be protected in a manner authorized by the appropriate Executive order.

5. The Upper Colorado River Commission, an agency set up under an interstate compact consented to by Congress and chaired by the representative of the United States, excluded the public from a meeting at which the Commission approved a proposal by private power companies.

6. The Weekly News Digest, circulated to more than 4,000 persons nationally from headquarters of the Office of Civil and Defense Mobilization, was accused of putting a partisan slant on news items. Changes in the operation of the magazine were expected with the change in administration.

7. C. Darwin Stolzenbach, head of the National Capital Transportation Agency, criticized for holding closed meetings on transportation problems, promised at his swearing-in ceremony to follow an open door policy.

8. News photographers were summarily barred from a Military Sea Transportation

Service ship involved in a fire at a San Francisco pier. Following the subcommittee's investigation, a change in Navy public information practices in the San Francisco area was promised.

(c) Monetary savings or recoveries as a result of investigation:

The value of breaking down the barriers of unnecessary Government secrecy often cannot be measured in dollars and cents, for the action contributes to an informed public and an effective democracy. Occasionally, however, it is possible to estimate direct monetary savings.

Such is the case with the decision by President Kennedy to follow the often repeated recommendations of the House Government Operations Committee and establish a system for routine declassification or downgrading of security documents filling thousands of Government file drawers. His Executive Order 10964 affects classified documents in storage and those in current use. It also makes unnecessary the use of expensive insulated safes. An economic analysis of the effect of the order disclosed that the reduction of unnecessary secrecy surrounding stored security documents will save the Government an estimated \$48,000 a year. The new system for handling current security documents will save \$712,500 a year, and the estimated annual savings on safes will be \$248,000. Thus, this single action by the President—an action following up on recommendations made by the committee since 1958—will save an estimated \$1,008,500 a year.

In another area substantial savings can be expected. The report on telephone monitoring practices (H. Rept. 1215) already has resulted in some administrative changes and more are expected. As a result of the report, for instance, the Health, Education, and Welfare Department disposed of telephone monitoring devices, resulting in an immediate saving of \$1,500 a year.

(d) Other remedial measures taken and nonmonetary benefits:

Improvements in Government public information practices resulted from each of the investigations noted above; such changes are noted in each case.

(e) Days of hearings held:

No hearings were held.

II. LEGISLATION

No legislation was referred to the subcommittee.

III. REPORTS RECEIVED SUCH AS NOTICE OF NEGOTIATED SALES, GENERAL ACCOUNTING OFFICE AUDIT REPORTS, AND SIMILAR MATTERS WHICH ARE NOT LEGISLATION

Because of the subcommittee's close work with GAO officials on problems of access to information, audit reports on other matters, when they also deal with information problems, are sent to the subcommittee in addition to their being referred to the subcommittees primarily concerned. The following three reports were received, and an investigation of the information problems is underway.

1. Examination of economic and technical assistance program for Iran.

2. Review of selected activities of the Bureau of the Budget.

3. Examination of economic and technical assistance program for Thailand.

IV. PRIOR ACTIVITIES OF THE SUBCOMMITTEE OF CURRENT OR CONTINUING INTEREST

Many of the subcommittee's activities this year are an extension of investigations initiated in prior years. Among the continuing benefits is an estimated annual saving of \$400,000 resulting from Defense Department action in late 1958 removing unnecessary restrictions from historical military documents.

V. PROJECTED PROGRAM FOR THE REMAINDER OF THE 87TH CONGRESS

Each one of the past investigations which has not resulted in removal of unjustifiable information restrictions is continuing; in addition, work will be done on new information problems expected to arise.

SPECIAL SUBCOMMITTEE ON ASSIGNED POWER AND LAND PROBLEMS

(Hon. JOHN E. MOSS, chairman)

I. INVESTIGATIONS

(a) Reports issued: None.

(b) Investigations not resulting in a formal report:

1. Kennecott Copper land exchange: The subcommittee is investigating allegations that the Bureau of Land Management exchanged public land worth about \$493,000 for land worth less than \$4,400, notwithstanding an alleged trespass on the public lands by building a town on the public lands under the guise of a mining lease.

2. Withholding of Central Valley power from Sacramento Municipal Utility District: The subcommittee is investigating charges that the top officials of the Interior Department in the previous administration refused to allow the Sacramento Municipal Utility District, a preference customer, to obtain power from the Central Valley project in California in excess of the district's allotment at a time when substantial quantities of power were being sold to the Pacific Gas & Electric Co., which is not a preference customer, thereby forcing on the district liability that may reach \$990,000 a year during the next 10 years.

3. Increase of dependable power of Central Valley project: The generation of additional power that will begin in 1963 in the Trinity plants of the Central Valley project requires early action to redetermine the dependable power that will be available to preference customers of the Central Valley project and thereby increase the power revenues of the Government. This redetermination must be effected pursuant to the power and sales contract between the Bureau of Reclamation and the Pacific Gas & Electric Co. The subcommittee has been keeping a watchful eye on this matter. Unless the redetermination is made promptly and at the maximum possible level, the Government will not obtain maximum revenues from the additional power that will soon be available for sale to preference customers.

4. Water rights in Death Valley National Monument: The subcommittee is actively investigating charges that the Borax Co. in Death Valley National Monument has been illegally using water belonging to the Government and thereby also preventing the National Park Service from developing recreation facilities and public accommodations for which water must be available, as well as charges of malfeasance by certain officials in connection with the disposal of land and water rights in Death Valley National Monument.

5. Electric utility mergers: The subcommittee gave considerable study to the increasing trend toward mergers of electric utilities and the question as to whether the Federal Power Commission is applying adequate and proper criteria in reviewing applications filed in the Commission for merger of electric utilities pursuant to section 203 of the Federal Power Act (16 U.S.C. 824b).

6. Operations of U.S. Park Police: The subcommittee has been investigating charges concerning maladministration, misfeasance, and wasteful expenditures in the operations of the U.S. Park Police. This police force, consisting of almost 200 men, performs police functions in the National Capital Parks of Washington, D.C., and its environs, as a

unit of the National Park Service. In conducting this investigation, the subcommittee has cooperated with other congressional committees and Members of Congress interested in improving the operations of the U.S. Park Police, as well as with the officials of the Interior Department who have responsibility over the Park Police. Following the subcommittee's initiation of its investigation, the Interior Department adopted a new promotion policy for senior police officers, began to consider the filling of several senior positions that had been kept vacant for almost 2 years, and began to reexamine the function and objective of the police force to increase its efficiency and economy. The investigation of the Park Police has not been completed. The subcommittee also cooperated with the subcommittee on National Parks of the House Interior and Insular Affairs Committee in drafting proposed legislation to establish a trial board for the Park Police (H.R. 8567).

7. Electric power contract and Yellowstone National Park. The subcommittee has continued to prod the Department of the Interior to complete the restudy of the contract awarded by the Interior Department to the Montana Power Co. in 1959 for supplying electric power to Yellowstone National Park. The subcommittee's study and hearings during the 86th Congress (See H. Rept. No. 1932, 86th Congress, June 22, 1960) had revealed serious errors in the calculations which formed the basis for the negotiations with the company. But to date the Department has not revealed the results of the restudy.

8. Bonneville—California power intertie: During the 86th Congress, the subcommittee intensively examined into a proposal by the Interior Department to sell Bonneville project power at dump power prices to the Pacific Gas & Electric Co. The subcommittee's study revealed that the proposed contract would probably be contrary to the public interest, and the subcommittee therefore requested the Department to withhold approval of the contract until after a full and independent study could be made of an alternative proposal to construct an extra-high voltage common carrier transmission line between the Pacific Northwest and California. The proposed contract was deferred, and finally abandoned, as a study States of California, Oregon, and Washington, showed that the public interest could best be served by construction of the extra-high voltage common carrier transmission line to interconnect the Bonneville and California electric systems. The Department of the Interior initiated a restudy of its previously limited analysis of such an intertie, and it is expected that the Department's report will be available shortly before the beginning of the 2d session of the 87th Congress. This report will be intensively scrutinized by the subcommittee.

9. In addition, the staff of the subcommittee cooperated with the staff of the full committee in preparing preliminary correspondence for the committee chairman on the following matters:

a. Yosemite Park and Curry Co. contract: Charges by the Comptroller General that the Yosemite Park and Curry Co. has, under its National Park Service concession contract, received commissions totaling \$976,250 from a single subconcessionaire while paying less than half this sum to the Government as franchise fees for its entire concession operation during the past 18 years.

b. Minerals in railroad grant lands: Charges that public lands were patented to a railroad without investigation of the mineral character of the land, that the valuable minerals in the land still belong to the Gov-

ernment, and that the railroad has no right to exploit the minerals.

c. Contracts for professional engineering services: The propriety of certain contractual agreements for professional engineering services that ordinarily are performed by full-time Government employees.

d. Control of fires in coal deposits: The adequacy of the efforts of the Bureau of Mines to control fires in coal deposits on public lands and also in nonpublic lands. These fires consume large quantities of coal annually and create considerable danger to people, to property, and to natural resources.

e. Alleged conflict of interest in National Park Service: Charges that a park superintendent has received gifts and other personal favors from a concessionaire whose operations are subject to supervision by the superintendent.

10. Contract for electric service for Missileman bases in South Dakota: In the course of the subcommittee's work on other matters, an allegation was received that the Department of the Air Force was about to make contracts for electric service to missileman bases in South Dakota, the effect of which would be to endanger the Government's security in Government loans to several rural electric cooperatives amounting to more than \$12,449,000. As the result of a subcommittee inquiry, further examination of the several proposals made by the respective bidders resulted in contracts which preserved the security of these loans, and also resulted in reductions in the price of the power to be supplied under the contracts, thereby saving the Air Force \$621,229 to obtain the same amount of power over a 10-year period as compared to the lowest bid initially made.

(c) Monetary savings or recoveries as a result of investigation:

Sizable benefits can be expected to flow from the investigative work of the Special Subcommittee on Assigned Power and Land Problems; however, not all of these benefits can be readily translated into dollar figures. In addition, since much of the investigative work is continuing, it is impossible to determine at this time the money savings or recoveries resulting therefrom. An indication of the saving, however, is that resulting from the subcommittee's inquiry on the contract for electric service for Missileman bases in South Dakota, the Air Force will save \$621,229 as a result, over a 10-year period.

(d) Other remedial measures taken and nonmonetary benefits:

See I. (b) above.

(e) Days of hearings held: None.

II. LEGISLATION

The subcommittee handled no legislation directly, but did cooperate with other committees on various bills during the session, as noted above.

III. REPORTS RECEIVED SUCH AS NOTICE OF NEGOTIATED SALES, GENERAL ACCOUNTING OFFICE AUDIT REPORTS, AND SIMILAR MATTERS WHICH ARE NOT LEGISLATION

No General Accounting Office reports were referred to the subcommittee. A few were reviewed for incidental interest.

IV. PRIOR ACTIVITIES OF THE SUBCOMMITTEE OF CURRENT OR CONTINUING INTEREST

See above.

V. PROJECTED PROGRAM FOR THE REMAINDER OF THE 87TH CONGRESS

Work will continue on the following matters assigned to the subcommittee: Death Valley National Monument.

Withholding of Central Valley Power from Sacramento Municipal Utility District.

Increase of dependable power of Central Valley project.

U.S. Park Police.

Comparative costs of direct transmission of power to preference customers of the

Bureau of Reclamation at various projects, including Deer Creek project in Utah, Central Valley project in California, and elsewhere.

Kennecott Copper land exchange.

Role of Federal Power Commission in reviewing applications for merger of electric utilities.

Electric power contract for Yellowstone National Park.

Bonneville-California Power Intertie.

SPECIAL SUBCOMMITTEE ON THE FEDERAL HOME LOAN BANK BOARD

(Hon. JOHN E. MOSS, chairman)

I. INVESTIGATIONS

(a) Reports issued: None.

(b) Investigations not resulting in a formal report:

The subcommittee has undertaken a complete and comprehensive investigation and study of the organization, operations, practices and procedures of the Federal Home Loan Bank Board and its constituent agencies, Federal Savings & Loan Insurance Corporation and the Federal home loan banks.

Relative to its previous activity in the 86th Congress, the subcommittee held 2 days of hearings, April 27 and 28, 1961, dealing with the bank board's seizure of the Long Beach Federal Savings & Loan Association, Long Beach, Calif. These hearings dealt exclusively with the Bellehurst Development. Testimony was received from C. S. Jones, the majority stockholder of the Bellehurst Development, and George A. Hart, Jr., attorney for the various corporations developing the Bellehurst tract.

In August, hearings were held in which testimony was received from two parties complaining of the operation of the bank board with respect to its supervisory and regulatory functions. These two parties were George West, Sr., chairman of the board of First Federal Savings & Loan Association of Atlanta, Ga.; and Robert R. Mullen, president of the Alice Savings & Loan Association, Alice, Tex.

Testimony was also received from employees and agents of the ninth bank board district relative to the board's role in supervising the Alice Savings & Loan Association and in an indictment of Robert R. Mullen that was later dismissed on motion of the defendant. The facts developed in connection with the indictment indicated a need for a searching investigation of the role of bank board personnel with other agencies of the Federal Government—the Department of Justice, the U.S. attorney in Houston, Tex., and the Internal Revenue Service.

The hearings occupied a total of 8 days, August 11, 14, 15, 21, 22, 23, 24, and 25, 1961.

The August hearings indicated a need for further investigation of bank board activities with respect to the Atlanta association and with respect to its activities in a number of other localities. Staff investigators will be sent to the field to study complaints channeled to the subcommittee through several Members of Congress.

(c) Monetary savings or recoveries as a result of investigation: The subcommittee's activities have been directed toward an improvement in the bank board's practices and procedures. Although dollar savings might result from such improvements, it would be difficult to state the result in terms of specific amounts.

(d) Other remedial measures taken and nonmonetary benefits: It is difficult at this time to say with any certainty what benefits will be attained as a result of the investigation and activities of the subcommittee. It is expected, as a result of the subcommittee's activities, that the position of the board with respect to its supervisory and regulatory responsibilities will be improved; that various apparent deficiencies will be corrected; that the savings and loan industry

will benefit from a clearer pronouncement of the operating standards and practices promulgated by the board; and that the efficiency and economy of the Federal Home Loan Bank Board and its constituent agencies in fulfilling its legislative responsibility will be improved.

(e) Days of hearings held: Hearings were held for 10 days during 1961, April 27 and 28 and August 11, 14, and 15 and August 21-25.

II. LEGISLATION

(a) Number of measures referred to the subcommittee: None.

(b) Reports issued: None.

(c) Days of hearings held: None.

III. REPORTS RECEIVED SUCH AS NOTICE OF NEGOTIATED SALES, GENERAL ACCOUNTING OFFICE AUDIT REPORTS, AND SIMILAR MATTERS WHICH ARE NOT LEGISLATION

Not pertinent.

IV. PRIOR ACTIVITIES OF CURRENT OR CONTINUING INTEREST

(a) Cumulative money savings or recoveries: None.

(b) Other affirmative benefits: The Federal Home Loan Bank has informed the subcommittee that a settlement of all outstanding disputes and differences between it and the Long Beach Federal Savings & Loan Association, going back some 17 years, is imminent.

V. PROJECTED PROGRAM FOR THE REMAINDER OF THE 87TH CONGRESS

The staff will undertake to study the complaints received by the subcommittee regarding the operations, practices, and procedures of the Federal Home Loan Bank Board. Conferences with Bank Board officials will be held when necessary relative to matters of common interest.

Consideration is being given to holding hearings during the present recess period.

Hearings will be scheduled, after Congress reconvenes in January 1962. It is expected that past and future hearings will result in one or more reports.

Government Competition With Private Enterprise

EXTENSION OF REMARKS

OF

HON. JOHN MARSHALL BUTLER

OF MARYLAND

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. BUTLER. Mr. President, I ask unanimous consent to have printed in the Appendix of the Record a statement by me concerning Government competition with private enterprise.

There being no objection, the statement was ordered to be printed in the Record, as follows:

STATEMENT OF SENATOR BUTLER

There are certain basic and fundamental objectives for national policy which are recognized by all of our citizens. The first is the stimulation of the growth in our economy. By that, I mean real growth measured in terms of increased output of the goods, and services our people need.

We also seek an economy where fair competition provides the regulator of all economic activity. The Sherman Act, the Clayton Act, the Federal Trade Commission Act, and the Robinson-Patman Act were devised to create a climate in which our private enterprise system could grow and prosper. There are some basic inconsistencies among these different laws, but the Congress

adopted them because of a universal and widely accepted belief in a competitive, market-oriented economy, protected from monopoly control. This is the only system that stimulates producers to ever-greater efforts. Likewise, it provides consumers, including the Federal Government, with maximum values.

Still another objective which each of us seeks is the widest possible tax base to support the many essential services that can best be performed by our 50 States and the local governments which have been created under State constitutions. In these troubled times when heavy tax burdens are imposed upon the American people to meet the ever-growing demands of the cold war, there are compelling reasons to eliminate any activity performed by the Federal Government which private enterprise can conduct more effectively and at a lower cost.

Now that the 1st session of the 87th Congress has adjourned, it is well to reexamine these three objectives which I believe are accepted by all Americans. It is my firm conviction that the growth of our economy in a true sense can best be advanced by unleashing the initiative of private enterprise. Many distinguished economists who have examined the American economic system have stressed the fact that the individual decisionmaking centers found in the millions of American enterprises provide a stimulus for new ideas, new methods, and more effective production. This does not occur in an economy where final judgment is centered in the government. Under our constitutional system, the Federal Government was never intended to undertake business-type activities in competition with its citizens.

Today the Government is the largest single employer in the United States. It owns more real estate and it conducts complex financial operations permeating every area of our economy. A reexamination of these activities is clearly a means of promoting economic growth.

The second objective—the preservation of a competitive economy—presumes an absence of monopolistic power in any sector. The antitrust laws, which are vigorously enforced, assure that no private enterprise will be allowed to restrain the activities of a competitor, large or small. However, if the Federal Government becomes a competitor, the antitrust laws do not apply. Whenever it engages in any activity that is competitive with private firms, its resources are unlimited. It is not subject to the normal regulatory and judicial restraints; its industrial relations policies are not subject to review by the National Labor Relations Board; and its financial operations are not subject to the accounting rules and regulations imposed by the Internal Revenue Service nor are they subject to the approval of the Securities and Exchange Commission or other regulatory bodies.

Americans have accepted the premise that competition is the most effective means of promoting the interests of consumers. Every fairminded person therefore will agree that it is virtually impossible for any firm to compete with the Federal Government.

Mr. President, the third objective is the widest possible tax base to support essential local services. For many years, I have consistently opposed the expansion of the Federal Government into areas such as Federal aid to education and other welfare measures. I am not unmindful of the need to provide the best possible training for coming generations of Americans. However, I am convinced that education and countless other matters can best be undertaken by State and local governments and should not be under the domination of the Federal Government.

Those who advocate Federal programs in these areas justify their position on the

supposed inability of States and local communities throughout our great Nation to finance adequate programs. I propose to assist the States in securing the necessary revenues by eliminating activities presently conducted within their borders by the Federal Government. They provide little or no tax support to the States and the communities where these Federal operations are conducted. If private enterprise which does not enjoy a tax exemption supplies the same services to the Federal Government, we are providing immediate assistance to the States. This does not require either increasing the national debt or raising the level of Federal taxation. Furthermore, any profits which private enterprise may earn in the performance of these activities will add to Federal revenues.

Mr. President, for many years the subject of Government competition with private enterprise has been studied and reviewed by the Congress. It established the Hoover Commission in 1953 to study the organization of the executive branch of the Government. The Commission made an extensive appraisal of business enterprises within the Government.

The members of this Commission whose efforts were coordinated by former President Hoover included two of my colleagues, one a Republican, the senior Senator from New Hampshire, and the other a Democrat, the senior Senator from Arkansas. It also included two distinguished Members of the other body, again one a Republican, Representative CLARENCE J. BROWN, of Ohio, and the other a Democrat, Representative CHET HOLIFIELD, of California. Among the 12 dedicated Americans who served on the Commission were 2 outstanding Democrats, James A. Farley and Joseph P. Kennedy. They all supported the basic recommendations of the Commission in the report on business enterprises submitted to the Congress by the Chairman, Herbert Hoover, on May 4, 1955.

The views of the Commission with respect to this broad problem of Government competition with private enterprise are as valid today as they were in 1955. The excerpts from the preface of this report is as follows:

"PREFACE

"Our economic system is based on private enterprise regulated where necessary to prevent monopoly and to provide for freedom of competition.

"The genius of the private enterprise system is that it generates initiative, ingenuity, inventiveness, and unparalleled productivity. With the normal rigidities that are a part of Government, obviously, the same forces that produce excellent results in private industry do not develop to the same degree in Government business enterprises.

"The Government creates business-type enterprises in economic emergencies, in the emergencies of war, and for the development of projects which are not adapted to private enterprise because of their nature or their magnitude. A very large portion of the Government business enterprises originated in World War I, the depression, and World War II.

"One of the major problems before us is the continuation of Government business enterprises after the emergency that engendered them has terminated. One reason that these agencies tend to perpetuate themselves is that by the time their tasks have been completed their personnel and the citizens in the communities where they operate resist termination. As a consequence, all too often they continue to function long after the original need has passed and even though the operation of many of them is not in the public interest.

The Government business-type enterprises, except in a few instances, pay no taxes,

and pay little or no interest on the capital invested; they seldom charge depreciation and frequently their directing personnel is not included on their payroll. Likewise the "fringe benefits" of Government personnel in most instances are not included in their costs. Moreover, in addition to the fact that most of them pay no taxes, they deprive the Government of taxes which would otherwise be paid by private enterprise if it conducted these operations. Therefore, their claims of financial success are often wholly invalid; and, worse, with the advantages they receive from the Government, they are unfair competition.

"Because of vested interests, misleading or incomplete accounts, or other reasons, some of these enterprises have established an astonishing longevity.

"A classical case of this phenomenon dating from World War I was the Inland Waterways Corporation, which survived for 33 years—and lost money practically every year. It was typical of the vested interests created within and around it.

"The continuance of such activities by the Government must be made subject to rigid justification; occasionally this can be done, but the burden of proof in all instances must be on the Government. Unjustified continuance is a definite injury to the vitality of the whole private enterprise system.

"Aside from the fundamental public policy of maintaining an economic system which has produced the highest standard of living for a whole Nation in all the history of mankind, this system has also amply proved its vitality in preparedness for national defense. It provided inventiveness and productivity which, second only to the valor of our officers and men, have won for us both World War I and World War II. It can, in another such emergency, provide again the national sinews to win.

"It is on these principles that this report is based.

"Yet as this report will show, the Government is conducting a multitude of projects in competition with and to the injury of the very system upon which our future security and prosperity is based.

"While this report was being prepared, the Department of Defense has reviewed the activities of the Department in reducing competition with private enterprise. They enumerate 97 facilities in 20 categories, the elimination of most of which is recommended specifically by our report, which have either been discontinued or scheduled for discontinuance. The action of the Department of Defense is most constructive."

President Eisenhower proceeded to implement the philosophy expressed by the Hoover Commission throughout the Federal Government. Great progress was made in eliminating many business-type activities which were still being conducted by the Federal Government. At one time or another, there had been a justifiable reason for the Federal Government to embark upon these activities. However, bureaucracy is slow to change, and many of these functions continue in operation even though the need for which they were authorized has been fulfilled.

The U.S. Spruce Products Corporation, organized during World War I to provide spruce for airplane fuselages, provides one of the more conspicuous examples of such a practice. Its functions were abolished by an act of Congress a few years after the close of World War I, but in 1946, the corporation still had a president, a secretary, a treasurer, a car, and a chauffeur. The Reconstruction Finance Corporation, liquidated by act of Congress in 1957, was provided with \$65,000 for administrative expenses of liquidation in the President's 1962 budget.

The Bureau of the Budget during the Eisenhower administration issued directives in January of 1955 and supplemented them

on February 5, 1957, and again on September 21, 1959. They clearly stated the basic policy which should guide every agency of the Government in a reexamination of those activities which compete with private enterprise. I shall quote at this point directly from the policy as expressed in Bulletin No. 60-2 of September 21, 1959.

"It is the general policy of the administration that the Federal Government will not start or carry on any commercial-industrial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels."

During the Eisenhower administration the Federal Government sold to private interests the Federal Inland Waterways Corporation, which operated barge lines on the Mississippi and Ohio Rivers. It also sold the entire synthetic rubber industry which was built during World War II. The national industrial reserve of plants and industrial equipment, under the Department of Defense, had 24 facilities in its plant reserve in 1959. Early in 1961, there were only 13, of which the Government owns only 3.

In President Eisenhower's last state of the Union message, he said:

"There has been a firm policy of reducing competition with private enterprise. This has resulted in discontinuance of some 2,000 commercial and industrial installations and, in addition, the curtailment of approximately 550 industrial installations operated directed by Government agencies."

Now that a new administration has been in office for more than 8 months, the extent to which Government competition with private enterprise has been reduced or increased should be studied. Unfortunately, my examination of the record suggests that the Federal Government is once more embarking on programs which will provide further competition between the Federal Government and private enterprise rather than reducing it.

For example, during the closing days of this session, the Congress enacted an appropriation bill for public works, which provides funds to enable the Federal Government to build the transmission lines for the Colorado River storage project. If private enterprise were entrusted with this task, it is estimated that at least \$61 million in Federal taxes and \$107 million in State and local taxes would be collected over a 50-year period. Furthermore, \$135 million in Federal construction funds would have been saved over the next few years at a time when the demands of national defense are so high. On the other hand, it is fortunate that the House of Representatives rejected the Senate's recommendations for the inclusion of a power reactor at Hanford, Oreg., in the atomic energy authorization bill for the coming year.

There are countless other activities which experience clearly shows could better be performed by private enterprise than through an expansion of business-type activities by the Federal Government. For example, the Defense Department operates air and sea transport services which often compete with private carriers.

Over the years, I have frequently referred to the obvious competition of Navy yards with private shipbuilding facilities. At the present time, more than 80 percent of conversions, alterations, and repairs to naval vessels are performed in naval shipyards. As a result of this competition, five major private facilities on the Pacific coast have been forced out of business since 1957.

To be sure, the Navy must maintain certain basic facilities to meet its needs in times of war. This has been the justification advanced for the continued operation of many shipbuilding and repair operations at a lower cost and more efficiently by existing private firms.

Is the basic concept that only Government facilities can meet wartime needs valid? Certainly, recent history reveals the fact that in every emergency it was necessary to turn to private shipyards and to expand them at an ever-increasing rate at great cost to the Government in order to meet the Navy's needs for new ships and the repair of battle casualties. This would lead to the conclusion that it is essential for the security of our country that private shipyards secure sufficient work at all times to maintain a trained and capable workforce which can furnish the base for necessary expansion in times of need. Fortunately, existing facilities are located along the sea coasts at strategic points, and they have always been at the disposal of the Federal Government.

The operation of naval shipyards which compete with private facilities immobilizes officers whose primary concern should be centered on military functions which are clearly outside the competence of civilians. Instead they are performing managerial functions for which their training and experience is inadequate. I fully recognize the need to maintain naval shipyards in certain locations where private facilities are not available and where national defense needs clearly justify their continuance or expansion.

In citing this competition between the U.S. Navy and private shipyards, I am merely using it as an example of the type of activity which must be constantly restudied in the light of the recommendations of the Hoover Commission. They have never been officially repudiated by any member of that dedicated group. They were accepted by President Eisenhower and implemented by the Bureau of the Budget.

The time has come when the Congress must once again take such steps as may be necessary to insure that every business-type activity presently conducted by the Federal Government is scrutinized with a view toward only maintaining those that are clearly necessary. Whenever it appears that private enterprise would be a more effective and less costly instrument of production, steps should be taken at least to permit it to demonstrate what could be accomplished with an environment conducive to securing its maximum participation.

We are engaged in a struggle to establish the rights of man throughout the world. In our foreign aid and development programs, it is essential that we encourage the maximum participation by American industry rather than channel our assistance on a government-to-government basis. American firms operating overseas with private capital destroy the Soviet allegations that economic efforts are inevitably linked to political ends. The pursuit of our present policies negates the very ends we are striving to achieve.

An article which appeared in the Saturday Review for September 30, 1961, by Dr. Heinrich Kronstein, director of the Institute for Foreign and International Common Commercial Law in Frankfurt, Germany, studied the delicate balance between private industry and government in their relationship with underdeveloped areas. The excerpts from Dr. Kronstein's article is as follows:

"During recent years the United States has developed, or at least accepted, a fresh approach to American activity in the new countries. The Government has conducted economic relations through its different agencies, or jointly with other governments, usually through the United Nations or an institution established under the auspices of the U.N. In turn, the recently sovereign nations have entered into economic relations through their governments. As a result, private enterprise has to a large extent lost its role as instigator, planner, and executor of development in these new lands. Adaptation of private policy to the needs of the

countries or to American needs in foreign markets has declined. Many governments not in the Communist bloc have excluded private enterprise as a participant in important industrial fields or have created difficulties that amount to practical exclusion.

"A number of more or less settled practices have developed, such as making outright gifts of military and other technical materials, offering governmental long-term loans, and guaranteeing through governmental agencies credit which is made available as corporate loans.

"The combination of military and economic aid by the same organization, the U.S. Government, is a clear example of the confusion of social functions. The executive and the Congress, formulating one budget, make basic decisions on military, technical, and economic aid, even though these are administered by different agencies.

"Systematic planning of foreign development operations is a job ideally suited to the industrial experts in our corporations. Perhaps some corporations are engaged in this work, but I doubt that their part is substantial. The advisory services of industrial planners or economists not connected with industry may be helpful, but these people are not occupied with the actual job.

"It is interesting to see what great success a relative newcomer, Italy, has had in industrial planning. Fiat, Montecatini, Italian Edison, Innocenti, and Pirelli established a joint agency to prepare a plan for underdeveloped territories. The Iranian Government employed it to outline the development of the southeast part of Iran. Argentina, Egypt, Tunisia, and Togo soon followed. Negotiations with central African states are now pending. This systematic inclusion of a private agency in the planning job is an important step. The Federal Republic of Germany is considering setting up a mixed agency composed of government and private groups to serve the same purpose. But this is still not enough. Private experts continue to be needed after the plan has begun to operate, as is evident in the recent efforts of the Argentine Government to bring American and European technicians there to run industrial plants erected with Government aid. In spite of the fact that the number of industrial plants in Argentina set up with Government aid had increased substantially by 1960, total production has decreased because of the lack of qualified people to run the plants."

One of America's greatest Presidents, Abraham Lincoln, defined the proper role of the Federal Government as follows:

"The function of government is to do for the individual all of those things which he cannot do at all or which he cannot so well do for himself; but in all those things where the community or the individual can take care of his own affairs, the Federal Government ought not to interfere."

A century later the fundamental and constitutional objectives set forth by President Lincoln are still valid. No justification for a continued encroachment upon the activities of private citizens who manifestly cannot compete with their own Government has been made.

Timely Observations

EXTENSION OF REMARKS OF

HON. JOHN H. ROUSSELOT

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. ROUSSELOT. Mr. Speaker, over the past few weeks, the Los Angeles

Herald-Express has published some articles by George Todt, which I think every Member of Congress will want to read. This writer has done a fine job of graphically describing some very important issues of the day. I, therefore, wish to have five of these articles inserted in the Appendix of the CONGRESSIONAL RECORD:

GEORGE TODT'S OPINION—COMMUNISM SHELTERED?

("There's villainous news abroad." Shakespeare—Henry IV, pt. 1, act 2, scene 4.)

Let's call this article today what it really is—an "open letter" to the Hollywood motion picture producers' fraternity, and may we expect an answer soon?

Perhaps before Christmas, too.

Here is a 64-million dollar question: Why haven't you gentlemen produced some anti-Communist films by 1961?

I thought we were in a cold war with the Marxist dictatorship based behind the Iron Curtain. At least the American people are being squeezed for upwards of \$50 billions a year to support a military machine whose only justification is this one.

WHY ARE YOU

The international Communist criminal conspiracy is the deadliest threat to our liberties which this Nation ever has faced in her history. Yet you are still engrossed in making films against the long-crushed Nazis. Bigger and better anti-Nazi films are your highest priority.

But where are any anti-Communist offerings?

Make no mistake about it, this writer despises Adolf Hitler and all he stood for quite as much as you do. It was for this reason alone that I volunteered for service in World War II.

What I learned about Hitler in the numerous Hollywood films you produced in profusion 20 or 25 years ago motivated me greatly then.

All of us are glad he was defeated and killed.

This is now water under the bridge.

We are facing an even greater enemy today—and it is the brutalitarian Communist who is on the march in 1961, not the defeated Nazi totalitarian of 1941.

RAISING THE DEAD

You gentlemen seem to be 20 years behind the times.

Let's go to the heart of the problem: Is there a hidden reason why you cannot make anti-Communist films today?

Is the U.S. Department of State to blame?

Are you helpless in the face of secret directives from the Government—of the type akin to the notorious Fulbright memorandum to the Pentagon a short time ago—to make films which show up the imperialistic Communists in their true light?

A man close to the Hollywood picture recently told me that such was indeed the case. I found this "bombshell" hard to believe although I respect the gentleman's integrity who made this well-nigh-incredible statement. He is a member of the Greater Los Angeles Press Club.

WHEN IT'S TRUE

What the public would like to know—straight from the horse's mouth—is whether or not this may be true?

Have you been intimidated behind the scenes by the Government against making anti-Communist films for any reason whatsoever?

Let the long-suffering public have the facts if such has happened in the past and we will have a storm of protest which will cause the Fulbright memorandum fiasco to pale into insignificance in comparison. You will receive much support from the people.

Upon reflection, there are many specious reasons which might be advanced to the film

industry why it would be advantageous for us not to make motion pictures which depicted the Reds in a bad light.

It could be said that we were engaged in delicate negotiations to disarm, end the cold war, not stir up the explosive international situation to become worse, et cetera, et cetera, and et cetera. We might dream up many such self-serving excuses.

REDS WE DREAD?

But the real point is that such specious reasoning did not apply in the case of Hitler a quarter of a century ago—so why now?

The Nazis and Communists are simply the opposite sides of the same totalitarian coin. What is sauce for the goose ought to be sauce for the gander. Why show partiality for either one?

I agreed with you 25 years ago that the Nazis and Fascists under Benito Mussolini were no good.

I hope you will agree with me now that the Reds are no-goodniks, too.

I suggest you give them both the same treatment. Why not?

Since when have the Marxists been kind to American free enterprise?

If there should be some of you who cannot agree with my premise that the Communist threat is the real one today, don't complain to me—just tell it to Congress.

For some unexplained reason the gentlemen on Capitol Hill are assigning about 10 percent of the GNP (gross national product) annually to support a military machine designed to fight the Reds.

Perhaps we should ask what for?

GEORGE TODT'S OPINION—GOLDWATER VS. LIBERALISM

(" 'Tis the sunset of life gives me mystical lore, And coming events cast their shadows before."—Campbell, "Lochiel's Warning.")

Not long ago I had breakfast with some friends in Los Angeles where Senator BARRY GOLDWATER was the speaker and he received a tremendous reception from the numerous and important Republican brass present. His stock is going up every day. What is his thinking?

In the first place, he is entirely lucid and reasonable. When one hears his words, it is not the impossible balderdash relayed by his wily ADA political opposition which has axes to grind. GOLDWATER is completely down to earth, modest, and speaks in a normal tone of voice. He is the antithesis of the rabble-rouser type.

Best of all, he shoots straight from the shoulder. There is no pussyfooting or indecisiveness with him. Ask him an honest question, you get an honest answer back. No doubletalk.

THOSE WHO SHOUT

BARRY GOLDWATER is of pioneer Western stock—half Jew and half gentile. He is very proud of both. And so am I. In my mind, he represents the best of our American Judeo-Christian philosophy which is the motivating force of the free enterprise system.

We Americans are a great partnership of various peoples, races, religions, and colors. As somebody once observed so aptly: "America is a tune which must be sung together." Let's keep it in tune.

One of the reasons I am proud to be a citizen of this great Republic of ours is that we have had more success than any other nation in working together with our differences. The key to success in this field is the word "Respect"—not "Tolerance." The latter is a weak word to me. It implies a position inherent within it of one who is superior, another inferior. But respect means something else.

WITHOUT REASON

Let us all recognize that our own personal rights end where the other person's nose begins—and then resolve that we will "live and let live" where our neighbors are con-

cerned. Respect for the rights of others is something all of us can practice increasingly and be better Americans for it.

But to get back to Senator GOLDWATER. In this writer's mind he is the epitome of manly courage backed up by strong moral convictions and a thorough religious belief in God, the Father of us all. He is a fighter who would rather be dead than Red. He would have no trouble in standing up to Nikita Khrushchev or Mao Tse-tung; would tell them off.

CARRY GUNS ABOUT

Although he is a strong man, GOLDWATER also knows Shakespeare's admonishment in "Measure for Measure" where the bard uses these words:

"O, it is excellent to have a giant's strength, but it is tyrannous to use it like a giant."

But GOLDWATER, contrary to former Oxford Rhodes Scholar J. WILLIAM FULBRIGHT—a fellow Senator and brother Sigma Chi, incidentally—thinks we ought to shoot for victory over communism, not merely put up a passive defense.

The Arizona statesman also diametrically opposes the liberal FULBRIGHT in the latter's controversial stand on muzzling our military men in the Nation's desperate fight against the Reds. The former is a brigadier general in the USAF Reserve. He is very popular with our fighting men in the armed services.

GOLDWATER's philosophy and American ideology is just as modern as the supersonic jets he flies—and he has checked out on most of the newest jobs in Uncle Sam's arsenal. He is in his early 50's but somehow personifies youth with our young people, who are his greatest admirers.

OUT OF SEASON

I don't know if BARRY GOLDWATER may be our next President, but he might be. And this is the reason why: The American people are tired of losing our shirts on the world stage. They are aghast that we, the most powerful nation in the history of the earth, are getting kicked in the pants by every world gangster and pipsqueak. When do we start winning?

Unfortunately from our standpoint, the so-called "Liberals" have been unable to win for losing—and this is the acid test. I care not for political parties or personalities here; I just want us to win. If the liberal strategists cannot do it for us, then let's get a real conservative in there to see what he can do. Fair enough?

GEORGE TODT'S OPINION—SOCIALISM IS COMMUNISM

("Truth crushed to earth shall rise again."—Bryant, "The Battle Field.")

Here in America, we have long had an old saying: "The truth should never hurt." But does it really pain sometimes after all? How about the muzzling of the military recently through the controversial methods utilized by the secret Fulbright memorandum? What are the facts in this curious, puzzling case?

I think Senator STROM THURMOND, Democrat, of South Carolina, let the cat out of the bag in a remarkable speech to the Senate not long ago. He is a major general in the U.S. Army Reserve and a real authority on military affairs which concern our men in uniform.

In a particularly down-to-earth assessment of the Fulbright memorandum, he explained why its ADA originator has become so emotional and distraught regarding participation of our keenest military minds in the ideological (but certainly nonpolitical) battle against international and domestic Reds.

TO SEE BEHIND

"If the military teaches the true nature of communism," said the patriotic Senator from South Carolina, "it must necessarily teach that communism is fundamentally socialism."

"When socialism in turn is understood, one cannot but help realize that many of the domestic programs advocated in the United States—and many of those adopted—fall clearly within the category of socialism.

"Military leaders, in this case, are rightly teaching the truth. As is often the case, the truth can and does hurt."

I think this correct assessment goes to the very heart of the problem we are facing now. The ADA (Americans for Democratic Action) largely are calling the tune for the new administration in Washington. This is, to all practical purposes, the political action arm in the United States of the British Fabian Socialists (see "Keynes at Harvard"). It is unduly aggressive and powerful.

So much so, in fact, that it can stifle outraged criticism of its aims and objectives from patriotic American sources. At least in certain cases. The military falls within this category now. The Fabian-oriented Arkansas solon, one of the ADA's most articulate spokesmen and a former Rhodes Scholar at Britain's Oxford University, has spoken.

COMMIE FACADE

He has managed to have imposed on our best military brains what amounts to a kind of anticongervative thought control, or censorship.

The generals and admirals are no longer encouraged to push socialistic communism to its well-deserved grave, as of yore. Except when the U.S. Congress is asked for new taxpayer dollars in huge appropriations bills.

Why should we commit upward of \$50 billion per year on our Military Establishment—the Reds being our only real justification for our spending such astronomical sums—if the erudite Senator Fulbright thinks Marxist communism is not enough of a menace to get ourselves upset about?

The real truth is that Imperialistic, slave-ridden communism is indeed a real and terrifying enemy of our Republic and its proven free enterprise system, our Judaic-Christian culture and cherished American way of life.

A SOCIALIST MIND

During World War II, the psychotic Communist leaders massacred in cold blood some 16,000 captured Polish officers in the Katyn Forest and dumped their yet-warm bodies in a mass grave.

No wonder our military men are determined that America will never surrender in a fit of folly to the Reds.

They would become only the first of many millions of our people cruelly to be put to death by the notorious Iron Curtain cult of mass murder.

IS PEA IN A POD

Today the conservative counterrevolution against pacifist, appeasement-minded ADA doctrine is in full swing throughout the Republic.

New societies and patriotic groups are springing up in every city, town, and hamlet. There is a tremendous ground swell of old-fashioned American patriotism in the air, and it comes not a moment too soon. Our people are understandably afraid because our leaders have lost on the world stage far more often of late than they have won for us. It should not be.

Recently I talked before the newly formed La Habra Area Americanism Society which had started out with 8 citizens 6 weeks prior to my arrival there—and had already mushroomed into 350 members.

This is typical of what is happening all over the Nation now.

We will start to see the dividends in the 1962 elections.

GEORGE TODT'S OPINION—CONSERVATIVE ON UPSWING

("The old order changeth, yielding place to new." Tennyson—"The Passing of Arthur.")

According to the eminent weekly news magazine, U.S. News & World Report, in its recent issue commencing on page 45, "the signs are up, pointing to a change of direction for the Kennedy administration." And not a moment too soon.

Is J. F. K. veering to the conservative side? Well, at least a little bit it seems. So-called "liberal" solutions to our soaring troubles—and they are manifold nowadays—are fast becoming bankrupt and increasingly out of style. This illuminating article is worth reading.

AN UPWARD SWING

For it backs up the contention of this column over a long while that indeed a great conservative counterrevolution against Fabian socialism, either of the old New Deal or the newer New Frontier variety of same, is now sweeping the Nation.

Currents like this one are slow to start, sluggish in motion, and not always discernible to the casual onlooker at first glance. Many of us may not know exactly what to look for in the way of signs. Only when we go beneath the surface may we be expected to reach the heart of the problem. In this case it is worth looking for.

The main trouble with Fabianism or any other brand of socialism—including communism—is not that it sounds bad in theory. But it has a bad record of producing results for its earlier promises of all things to all men. That is where Marxism falls down.

Socialism cannot work at all without slavish controls over the lives and fortunes of the citizens who comprise the state, and it must exploit them without feeling—except for its privileged bureaucracy, a self-styled elite which takes the place of the arrogant nobility of another day.

What is the difference anyway?

To the puny Socialist intellectual, whose selfish greed for power over the lives of his fellows overcomes his commonsense, our vaunted free enterprise system is merely decadent and reactionary.

TAKES SOME TIME

How, then, does he explain away the fact that it has produced the modern miracle known as the American way of life wherein 6 percent of the world's population living in the United States have produced almost half the wealth upon this planet?

If free enterprise is truly decadent, as the Marxist propagandists would have the human race believe, then perhaps what is needed today is the export of copious quantities of such American decadence to all the scattered quarters of the globe. At least, it ought to raise the standard of living of all who might be fortunate enough to come into contact with it.

Actually, incredible stupidity—as well as jealousy and envious hatred of the American system—is demonstrated by the great Socialist planners in their myopic, self-defeating attempts to polish off capitalism and free enterprise. The latter is largely the hand that feeds gratuitously much of Marxist bumbling throughout the world.

THEN THE KING

We have spent over \$100 billion in recent years on foreign aid which has largely disappeared as handouts to international Socialist governments.

Where would they be today without our free enterprise doles "with no strings attached" to their inept Socialist bureaucrats? How would they be able to keep their collective heads above water, in many instances, without our succor? How can socialism be said to be a better system than free enterprise when the latter pays for itself—and much of Socialist systems elsewhere outside our borders, too?

RINGS THE CHIME

I think it is high time to stop shooting bazookas at the free enterprise goose which lays all those beautiful golden eggs.

Note to Marxists: Why bite the hand that feeds you?

Increasingly, as people commence to think in terms of down-to-earth arithmetic and commonsense in the future, the trend will be increasingly back to capitalism, not socialism. The latter is a fraud in an economic sense. And an ideological mountebank, as well.

As U.S. News & World Report carefully pointed out, there is no evidence of any mass flight to the conservative side yet—but the liberal ice jam is beginning to show some deep cracks.

Perhaps a start in this direction is now being made which will bode well for the Nation's future. Conservatism is the new wave of tomorrow.

Let's encourage J. F. K. to put the brakes on the impractical Fabians.

GEORGE TODT'S OPINION—WHAT IS CONSERVATISM?

("The nearer the dawn the darker the night."—Longfellow, "Tales of a Wayside Inn.")

No long ago I listened to Los Angeles Congressman EDGAR W. ("ECK") Hiestand—sometimes called Mr. Conservative in Washington's House of Representatives on Capitol Hill—and heard him make some telling points. What is a conservative, anyway?

Hiestand defines one as either a Democrat or Republican who believes in conserving the rights of workers, conserving the buying power of the workers' dollar and of the retirement income of pensioners, and in conserving all freedoms and the free enterprise system which made our Nation great.

Few men have done more to make conservatism the respected word it has become than this California solon. He is definitely in the onrushing Goldwater pattern of thinking, both men live in the same family apartment house building in the Nation's Capital.

THE TRUTH INSIDE

What are more of his beliefs as regards conservative philosophy and ideology? Why has he become a champion against ADA (American for Democratic Action) socialism of the Fabian variety in the United States today? Where does he stand?

Frankly, Hiestand resents the fact that conservatives—whose American principles stem from our Founding Fathers and the Revolutionary War of 1776, not the Marxist manifesto—are sometime erroneously and spitefully called reactionaries.

He thinks the so-called liberals and other radicals who continue to insist on dragging out the tired old Socialist welfare schemes that have previously failed to be the real reactionaries of today.

The Altadena Congressman strong believes that the purchasing power of our dollar must be strengthened further, not not debased.

OF EVERY MAN

This is a touchy subject, for loss of faith in the U.S. dollar might prove disastrous, at home and abroad. About a year ago there was a serious financial upheaval in Europe—much of it inspired by loose talk of our becoming a second-rate nation and the possibility of inflation through overspending our limited resources.

In the field of foreign policy and national security, Hiestand stands for achieving a peace without appeasement or surrender. He is against the admission of Red China to the United Nations, thinks Fidel Castro is an abomination who ought to be squelched with old-fashioned American power. Using the U.N.'s military forces to set up a Communist state in the African Congo makes no sense to him. And he stands firmly for the loyalty oath and a continuing fight against all forms of subversion in our country.

IS THE GUIDE

This conservative Congressman—and he is typical of the steadily growing group who are

backing increasingly down-to-earth Americana over Marxist one worldism in these trying times—believes firmly in the free, private responsibility of the individual human being. Cooperation, not coercion.

He wants us to have ever greater opportunities to earn our way in life under a full head of our own steam and progress to a higher standard of living for ourselves.

He does not want us to be placed ultimately on Socialist-type doles, the kind which sap both self-respect and initiative.

Let the Government only do for the people what the people cannot do for themselves. No paternalism, please. We are proud citizens of a libertarian nation which has already demonstrated that we know how to stand on our own feet better than anybody else. Why change now?

WE MUST FAN

In a free economy—such as we have been in the past and, hopefully, may be continued for us in the future—we are allowed in a large measure to chart our own courses without governmental direction to herd us along a pathway chosen for us by what is euphemistically termed the elite; i.e., bureaucratic paternalism.

Those Americans who value personal freedom and making their own individual choices in life, within reason and responsibility dictated by their consciences, will vote increasingly for conservatism in the future.

Freedom is the real wave of the forthcoming era, not serfdom.

Democrats and Republicans will cross party lines to achieve it.

The Small Business Legislative Accomplishments of the 1st Session, 87th Congress

EXTENSION OF REMARKS OF

HON. JOHN SPARKMAN

OF ALABAMA

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. SPARKMAN. Mr. President, I ask unanimous consent to have printed in the Appendix of the RECORD the small business legislative accomplishments of the 1st session, 87th Congress.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

Year after year, since 1950, when the present Small Business Committee of the Senate was established by Senate Resolution 58, the Congress has expressed its concern for the welfare of the Nation's small businessmen by the enactment of legislation designed to foster and promote a healthy small business community. No session of Congress in the past decade has adjourned without adding to the legislative arsenal of small business new weapons to help the Nation's small and independent enterprisers wage their oftentimes desperate struggle for survival on today's business battleground.

Perhaps mindful of the growing casualty lists mirrored in the mounting number of small business bankruptcies, the 1st session of the 87th Congress again demonstrated its awareness of the problems of small businessmen through the enactment of various measures to strengthen the small business segment of our economy. In summarizing these at this time, I cannot let the occasion pass without taking notice of the combined efforts of the members of the Senate Small Business Committee to help small business-

men hurdle many of the obstacles which stand between them and the successful conduct of their enterprises. Without stint the members gave of their time and energy to make it possible for the owners and managers of small concerns, if not to overtake, at least to stay competitively within shouting distance of their larger and more powerful rivals. In no slight measure, these efforts of the committee members were responsible for the enactment of significant small business legislation during the 1st session of the 87th Congress.

When Congress passed the Small Business Investment Act of 1958, it in effect added a significant new dimension to the Nation's banking system by creating a new primary source of credit in the form of small business investment companies. The response of the investing public to the idea of small business investment companies has exceeded expectations. Today there are in existence 386 investment companies licensed by the Small Business Administration. These have aggregate capital in excess of \$300 million available for long-term loans and equity capital for small business enterprises. Even so, as with all new and original concepts, it became evident that opportunities existed for improving and expanding the SBIC program, chiefly by means of making the formation of SBIC's more attractive to the investing public.

With this as an objective, Congress passed S. 902—Public Law 87-341—the Small Business Investment Act Amendments of 1961, to offer new incentives for the formation of SBIC's. These incentives took the following forms:

1. The amount of subordinated debentures in an SBIC which the Small Business Administration may purchase was raised from \$150,000 to \$400,000.

2. Banks may now invest 2 percent of their capital and surplus in SBIC's. Previously banks could only invest 1 percent of their capital and surplus in SBIC's.

3. The amount of section 303(b) loans which SBA may make to an SBIC is set at 50 percent of capital and surplus, with a limit of \$4 million to any single investment company.

4. The amount of funds which an SBIC may lend to any one business firm was limited to \$500,000, unless the SBA grants an exception.

5. SBA was given broad powers to investigate and issue cease-and-desist orders against SBIC's. After a hearing, SBA can suspend the license of an SBIC. Licenses, however, may not be revoked without Federal court action.

6. An additional \$75 million was added to SBA's revolving fund for SBIC operations, an increase from \$250 million to \$325 million.

7. SBIC's may now cooperate with lenders and investors, whether incorporated or unincorporated, in furnishing funds to small business firms. Previously, such cooperation could only be extended to other lending institutions.

Two steps were taken during the 1st session of the 87th Congress to increase the effectiveness of the Small Business Administration as the champion of small business. H.R. 8762—Public Law 87-305—approved September 26, 1961, increased SBA's revolving fund by \$105 million, thus assuring the agency funds to operate its lending programs throughout fiscal year 1962.

Additionally, Public Law 87-305 laid the foundation for a program designed to increase the role of small concerns as subcontractors on Government procurements. Under its provisions, SBA, the Defense Department, and the General Services Administration must within 90 days from the date of enactment develop cooperatively a small business subcontracting program. Before any regulations governing this program are issued by the Defense Department and GSA,

the concurrence of SBA must be obtained. Lacking this, points of disagreement must be referred to the White House for resolution.

No summary of legislation helpful to small business concerns passed during the 1st session of the 87th Congress would be complete, Mr. President, without mention of the following enactments:

S. 2325—Public Law 87-311—should encourage small business to enter the world trade market by clarifying the authority of the Export-Import Bank to insure, co-insure, and reinsure U.S. exports and foreign exports doing business in the United States in an aggregate amount outstanding at any one time of \$1 billion against political and credit risks of loss stemming from export activities.

S. 1922—Public Law 87-70—authorized the Small Business Administration to make disaster loans to a small business which has suffered substantial injury as a result of its displacement by federally aided urban renewal or highway construction program or any other construction program which was financed by Federal funds.

S. 1—Public Law 87-27—Area Redevelopment Act, extended indefinitely the authority of the Small Business Administration, due to expire June 30, 1961, to make loans to State and local development companies. In commenting on this provision, the House Banking and Currency Committee's report on S. 1, stated: "These loans can greatly benefit areas of substantial and persistent labor surplus and will therefore promote the general purposes of the area redevelopment bill. * * * Through March 17, 1961, loans totaling \$10,700,000 had been made * * * under this authority. * * * No losses have been incurred to date."

Mr. President, these accomplishments of the 1st session of the 87th Congress with respect to small business legislation will undoubtedly help to improve the competitive position of our more than 4.5 million small and independent enterprises.

There remain, however, some important small business measures on which congressional action has not been completed. In the fields of tax relief and antitrust enforcement several bills that were introduced in the first session will again be considered when Congress convenes in January 1962. It is my hope that careful and prompt action on these measures next year will make it possible for the 87th Congress to go down in history as a Congress which left no doubt about its desire to strengthen our free enterprise system by fostering and encouraging small businesses to enjoy a healthy growth along with our rapidly expanding national economy.

Can't Change National Thinking by Passage of a Law or Gift of Dollars

EXTENSION OF REMARKS OF

CLARE E. HOFFMAN

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. HOFFMAN of Michigan. Mr. Speaker, if we are to judge by the standards used by the people of the Fourth Congressional District and, I assume, that of the Midwest generally, the House has seemed to show a lack of responsibility—a lack due not to a lack of knowledge or our situation, but rather to what might be termed the "atmosphere" or "the climate", as the intellectuals put it, which exists here in Washington, which, overall, seems to be that our resources,

our ability, and our power are unlimited. That there is no bottom to the barrel; that, willy-nilly (our taxpayers can in some way give to all other people in other parts of the world everything they may desire and some things they do not want—that we can not only give them everything they ask, but force them to accept some things they do not want and will not use—while we at the same time prepare for an all-out war. That is a false assumption. If we continue to accept and act on it, we will meet disaster.

There seems to be a feeling on the part of our Congressmen and their advisers that we can, by the passage of a law, change not only the habits but the thinking of groups and nations which existed long before Columbus first saw America.

There are in Congress Members who have traveled abroad quite often and extensively, sometimes at their own expense, usually at the taxpayers' expense.

These individuals see misery and want and a lack of Christianity and freedom in other parts of the world. They are determined that we shall, by the enactment of legislation—by the stroke of a pen as it were—by either the loan or the gift of dollars, by technical aid, by teaching, demonstration and other assistance solve all their problems—make them happy, prosperous, and contented—accomplish the task which Christ and his Disciples undertook more than 2,000 years ago.

The same individuals seem to be convinced that, if other Members do not agree with their thinking, if we do not favor overall foreign aid—we lack Christianity, all feelings of decency, would let all others continue in their misery and want without extending a helping hand.

That is not our attitude. Speaking for myself, I have always endeavored to aid others, contribute to missionaries, will always continue to do so. Will always hope and work for improvement and the betterment of other peoples throughout the world.

But I can find no reason for attempting to force others to accept my thinking, my way of life, when, during the centuries, they have thought and lived otherwise.

Bringing freedom to people beyond the seas, as some of our international-minded one-worlders are trying to do, does not mean the imposition of the religion in which we believe, the customs under which we live, upon all others, certainly not by force.

The League of Nations, which Wilson accepted, was designed to bring peace throughout the world, and that without force.

United Nations has the same purpose, but would bring it about by gifts and loans, and, if necessary the use of force—through a one-world organization with laws applicable to every nation, imposed upon every individual, every nation.

As was pointed out by the chairman of the Foreign Relations Committee, who has long been an advocate of internationalism, U.N. has failed, and, I quote, "We must look elsewhere." He so wrote in the October 1 issue of Foreign Affairs Quarterly, and reprinted in the October 2 issue of U.S. News & World Report.

The League of Nations failed; United Nations has fallen short of its objective, because people throughout the world do not—no more than individuals—conform to one pattern.

People have different ideas—not only as to the God which they should worship, but as to what they should eat, wear, and how and where they should live.

Nations, as individuals, are naturally selfish, and there is no evidence that as of today anyone will make the welfare, prosperity and happiness of his neighbor his chief objective in life, forget or abandon his own desires.

It does not follow that we should not try to aid others. It does follow that, while so doing, we must take into consideration our own needs, our own ability, for, except as we individually and nationally remain strong, we cannot effectively aid any other people or nation.

The foregoing may give you some idea as to why I have advocated and do now advocate a policy which will avoid waste and inefficiency in our own Government, maintain and build up our own strength, while continuing our individual and national efforts to help others who need and desire aid.

Because it is my conviction, and that is based upon the history of our Nation and my own 26 years' experience here in Congress, that our form of government, with the people retaining all power not expressly granted to the Congress, to the Executive, to the judiciary department, is the best yet devised to give a people freedom and opportunity, I have consistently opposed the delegation by the Congress of any part of its authority to the other two branches of the Government.

It is the reason why I have vigorously, sometimes perhaps too vigorously, opposed all efforts to surrender to any international organization any part of our national sovereignty.

The folly of such a surrender has been demonstrated. Though we have contributed billions upon billions to other nations, our situation today is no better—in fact, it is admittedly worse, so far as our national security is concerned—than when the program originated.

Today we are on the verge of war because we have disregarded Washington's advice not to become entangled in the affairs of other nations. Only by what may be almost unbearable sacrifices will we be able to extricate ourselves from our involvement in the present world situation. To our national security must our efforts now be devoted.

We cannot continue unlimited spending and win a war.

Buy Now, Pay Later

EXTENSION OF REMARKS

OF

HON. ERNEST GRUENING

OF ALASKA

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. GRUENING. Mr. President, I ask unanimous consent to have printed in

the Appendix of the RECORD a statement by me.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR GRUENING

For those Americans who would escape a new and rapidly developing form of horoswoggling, honeyfugling, and horsefeathering, I strongly recommend a highly important, recently published volume which has as its title the intriguing, inviting, and enticing beckoning so alluringly presented to multitudes of Americans by a great variety of services and businesses: "Buy Now, Pay Later."

It is written by Hillel Black, published in New York by William Morrow & Co., and carries a foreword by our distinguished colleague, the senior Senator from Illinois, PAUL DOUGLAS.

The book exposes what, while a legitimate business—the wide extension of credit and installment purchasing—presents pitfalls of which the average consumer, householder, and housewife are innocently unaware. The pitfall consists in no small degree of their ignorance of what installment buying actually costs them. Thousands never even inquire. Others are content with a reply that the charge is such-and-such percent. This leaves unanswered how much percent for what unit of time. It omits mention, also, of all kinds of special charges, of which virtually every instalment buyer remains unaware.

The startling fact which Mr. Hillel Black's book reveals is that the financing of purchases has in many cases become more profitable than the profit on the purchased article or service itself.

The interest of Senator DOUGLAS—a noted economist and, before his election to the Senate, professor of economics at the University of Chicago—is that the installment buyer shall be informed, before he signs his installment contract, whether for an automobile, a dishwasher, a TV set, housefurnishings, or uses his credit card for travel, for dining, or for any purpose whatever—what the credit service is actually costing him above the price of the article or service he is buying. To achieve this end, Senator DOUGLAS introduced in the 1st session of the 87th Congress, along with 20 cosponsors, of whom I am happy to be one, a bill which has become known informally as the truth-in-lending bill.

This bill (S. 1740) is entitled "A bill to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit."

All that the bill requires is disclosure to the purchaser of what he is actually paying when he buys on credit; what the interest rate actually is; what fees, service charges, discounts, and other charges, not apparent on the face of the purchasing contract or not explicit in the use of a credit card, are.

Is there opposition to this legislation? Indeed there is. There is opposition from the vast and growing category of what Hillel Black, author of the book, rightly terms "the debt merchants."

Today, millions of Americans are being bombarded with pleas to "buy now, pay later." Credit cards are being generously handed to all possible takers, and persuasion to use them is a no less generous accompaniment.

Today, many an American family finds itself in precarious financial straits because it has succumbed, unaware, to the siren songs of the "debt merchants."

Reading of Hillel Black's "Buy Now, Pay Later" may avert countless domestic tragedies and contribute mightily to a sounder national economy which has been weakened by the spreading habit of buying things one doesn't need with money one does not have.

**Inspector Thomas V. Slominski Wins
Commendation on 100th Anniversary
of District of Columbia Metropolitan
Police Force**

EXTENSION OF REMARKS

OF

HON. ALAN BIBLE

OF NEVADA

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. BIBLE. Mr. President, the Metropolitan Police force of Washington, D.C., in October will celebrate its 100th anniversary, and I believe it is fitting and proper that we give recognition to those men and women over the years who night and day have provided the law enforcement required in the Nation's Capital City, and even their lives, if need be.

In many ways the life of a policeman in Washington may well be more difficult than in any other American city. It is here that police officers must have the patience, tact, and courtesy mingled with effective forcefulness to do their job. It is here that small problems can be telescoped into incidents of far-reaching impact because this is the Nation's Capital and people of all nations are here.

It is particularly appropriate that this 100th anniversary falls in a year that one of the department's most capable and dedicated officers retires after 30 years of commendable service. I refer to Inspector Thomas V. Slominski, for the last 12 years the liaison officer between his department and the U.S. district and municipal courts here.

Inspector Slominski epitomizes the record of the Metropolitan Police force and its service to the citizens of the Nation's Capital down through the years. Here is a man, who is going into retirement, whose commendations have been legion the last 30 years. One highlight was a tribute by President Franklin D. Roosevelt and the King and Queen of England on the visit of the British monarchs to Washington, D.C., in 1939.

Here is a man who has watched over schoolboys and schoolgirls from 1947 through 1961 as marshal of the American Automobile Association's annual school-boy patrol parade held here, which yearly attracts some 15,000 youngsters from more than 25 States.

A particularly fitting tribute to Inspector Slominski was paid to him in an article in the Washington Evening Star of July 19, 1961, which I ask unanimous consent to have printed in the RECORD.

There being no objection the article was ordered to be printed in the RECORD, as follows:

**COURTS LOSING ESTEEMED POLICE
"AMBASSADOR"**

(By J. Theodore Crown, Star staff writer)

When Inspector Thomas V. Slominski decided 2 years ago it might be a good time to retire from his "ambassadorship" to District and municipal courts, there came a chorus of dissents that changed his mind for him.

Now the inexorable law of advancing age (the inspector will be 64 September 4) means he will retire by law on September 30.

FLOWERY PRAISE

How the courts will get along without him is hard to see, for judges have regarded him as almost indispensable during the 12 years he has performed as liaison man between the courts and police headquarters.

It was recalled today that no less than a dozen judges wrote letters in 1959 urging Inspector Slominski to reconsider retirement plans and to remain as long as time would permit.

The letters were flowery in their praise of the inspector, whose diplomatic suavity and equal treatment of all men had won him the soubriquet of "ambassador."

They said his character and ability was that of "an officer of whom the department and the District may be proud."

Influenced by the flood of mail to his headquarters, Inspector Slominski decided to forego his fishing expeditions.

REGRETS FROM MURRAY

Today Police Chief Robert V. Murray added his voice to those of the court, calling the inspector's work "magnificent," and regretting to see him leave.

Before he went to the courts as a lieutenant in 1949, Inspector Slominski made his mark in the ranks, winning several commendations for the arrest of murderers and other felons.

Born and educated in Chicago, he was with the U.S. Marines from 1917 to 1921.

Going through war duty without a scratch, Inspector Slominski was selected to participate in a training film being made here. A bayonet demonstration was so realistic that his opponent jabbed him in the left leg, thus inflicting his only wound of World War I.

**Congressman Harold R. Collier, of Illinois,
Reports to the People of the
10th District of Illinois**

EXTENSION OF REMARKS

OF

HON. HAROLD R. COLLIER

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. COLLIER. Mr. Speaker, under leave to extend my remarks in the RECORD, I submit herewith the report to the residents of the 10th Congressional District of Illinois covering a résumé of major legislation and my activities as their Representative in the 87th Congress.

Convening the first Tuesday in January of 1961 and extending through the waning days of September, the 1961 session has been the longest in history except for those of World War II years and during the Korean war. With the change of administration in January, the legislative wheels turned slowly for several weeks. Notwithstanding this fact, bipartisan support of emergency legislation in March and April offered evidence of a late summer adjournment. However, highly controversial legislation was delayed in a most untimely manner as the session moved into the summer months and resulted in widespread political hassling behind the scenes. Misdirection and indecision within certain committees dealing with such issues as Federal aid to education, tax proposals, and foreign aid brought

frequent deadlocks and delays. Contributing to congressional pressures were the series of critical developments in Cuba, Laos, West Berlin, and, finally, the tragic turn of events within the United Nations.

Reviewing the past session of Congress, its failures and its successes, one is reminded of the words of Winston Churchill:

To understand today's problems, one must have a sense of history.

We have lived in an aura of cold war tensions for more than a decade. Periodically the struggle between the free nations in the world and the Communist-dominated countries erupts with new fervor, and there is little reason for optimism in an early relief from these tensions. Thus the armament race is accelerated and national defense costs continue to rise.

As a nation we should have two primary concerns: First, to maintain peace without yielding principle in a world of grave international tensions and, second, to strengthen our economic and fiscal stability on the domestic front.

There is no question that deficit spending during this next fiscal year will reach a frightening figure of more than \$7 billion. Many of us who are concerned with the mushrooming national debt of more than \$290 billion are critical of several domestic programs which reflect imprudence at a time when the Nation has been called upon to make sacrifices. It is relatively simple for the average citizen to determine the extent of his Representative's anxiety over fiscal irresponsibility by evaluating his voting record; and this is particularly applicable to the record of the 1st session of the 87th Congress. Although authorization and appropriation bills passed this year exceeded by several billion dollars the basic needs of this Nation, one ray of hope was reflected in the repeated refusal of the House of Representatives to increase the back-door spending approach on certain bills.

While it is impossible to list all important legislation and business transactions in Congress this year, here are several of the most important bills which were passed during this session and a summary comment on them:

DEFENSE BUDGET

An alltime record high defense budget for peacetime was almost unanimously approved by both the House and Senate for fiscal 1962. The estimated spending figure for national defense during the new fiscal year is \$46,662,556,000. This figure was increased from the original estimated defense request with the development of the new crisis in Berlin. The additional sum will be for the construction of aircraft, missiles, and naval facilities. It provides for the continuation of the B-52 and B-58 bomber production programs and two new nuclear-powered missile frigates. The program also provides for stepping up the Polaris submarine program to a total of 29 by 1964, instead of 1967.

AMENDMENT TO THE SOCIAL SECURITY LAW

Voluntary retirement is now permitted for men at age 62 with reduced benefits

and widow's benefits are increased 10 percent. Working pensioners are permitted earnings up to \$1,700 without penalty. Minimum benefit payments are increased \$7 monthly and qualification has been liberalized to one quarter out of every four instead of one out of every three. To meet the \$825 million annual cost of these changes, social security taxes will increase again next January and the rate will continue to 4½ percent on each employee-employer in 1968.

UNEMPLOYMENT COMPENSATION

Congress voted to increase unemployment compensation through Federal assistance to a maximum of 39 weeks and added a later proposal providing benefits for children of the unemployed.

EXPANDED FEDERAL HOUSING PROGRAM

An authorized 5-year \$4.9 billion housing program on liberalized terms was passed over stiff opposition. The bill includes 100,000 new units of public housing, extends the farm housing program, increases funds for housing for the aged and provides for loans to acquire mass transportation facilities.

EMERGENCY FEED GRAIN PROGRAM

This legislation increases price support payments to participants for corn, grain, sorghum, other feed grains and soybeans and provides for a 1-year voluntary cut in acreage and crops of these feed grains.

LATIN AMERICAN AID

The appropriation bill effectuating the authorization passed previously provides for \$600 million for a Latin-American development program. This sum includes \$100 million for disaster relief in Chile, \$394 million for loans by the Inter-American Development Bank, \$6 million for social and economic programs of the Organization of American States, and \$1 million for loans and grants by the ICA.

EXPANSION OF SPACE PROGRAM

An authorization of \$1.7 billion for the National Aeronautics and Space Administration was passed and signed into law to be effective in fiscal 1962. This includes increases for the manned moon-orbiting project and for research on solid and nuclear propellants.

AID TO DEPRESSED AREAS

The establishment of an Area Redevelopment Administration in the Department of Commerce carries an authorization of \$300 million in loans and \$95 million in grants for industrial plants and public facilities in areas designated as distressed. The program carries a termination date of June 30, 1965.

HIGHWAY CONSTRUCTION

An additional \$11.5 billion was authorized in H.R. 6713 for the interstate highway system, to be tentatively completed by 1972. It will bring certain apportionments for primary, secondary and urban programs up from \$925 million to \$1 billion annually. It fixes Federal gas and diesel taxes at 4 cents per gallon and it also raises taxes on tires, tubes, retread rubber and on trucks and buses.

FEDERAL JUDGESHIPS

Finally meeting a long-needed increase in U.S. district court judgeships and 10 circuit court judgeships, Con-

gress voted a bill providing for a total of 73 judges. Because caseloads in the courts have become increasingly heavy, and litigation badly delayed over the past several years, the Eisenhower administration had made a request for additional judges, upon which Congress failed to act. In the spring of this year, approval was given in both the House and Senate by a large bipartisan majority.

EDUCATION LEGISLATION

A 2-year extension of the National Defense Education Act was finally approved after the House had voted down consideration of an omnibus bill. The measure also extends to federally impacted school districts assistance for an additional 2 years, to June 30, 1963. The total authorization for these programs was \$1.3 billion.

FOREIGN AID

A compromise \$3,914,600,000 money bill was passed. The final figure was more than the House originally approved but less than the Senate voted, and President Kennedy had asked. The bill authorized a 5-year program but required annual appropriations. The program includes loans and grants for foreign economic aid and development, military assistance and support, and contributions to international programs.

PEACE CORPS

The administration's request to establish the U.S. Peace Corps, commenced by Executive direction early this year, as an independent agency was approved and an authorization of \$40 million for its operation was granted for fiscal 1962, although only \$30 million was actually appropriated.

ARMS CONTROL AGENCY

A measure which establishes a U.S. Arms Control (Disarmament) Agency was approved by both the House and Senate and signed into law by the President at the close of the session. Actually, a division within the State Department composed of 72 staff members has been in existence for quite some time. The new agency simply expands certain phases of research in this field and establishes a distinct entity for this operation, without providing any authority or jurisdiction which the erstwhile bureau within the State Department did not already possess.

MINIMUM WAGE

Increases in the \$1 minimum wage to \$1.25 an hour were approved with extended coverage to 3½ million additional workers by gradual wage stepups in amending the Fair Labor Standards Act.

It must be understood that the legislation listed above is but a few of the more important items on the legislative agenda. As a matter of fact, there were nearly 200 bills which will undoubtedly become public law that must properly be considered major legislation. These do not include scores of other legislative actions of the 87th Congress which were of a private or provincial nature.

In addition to the legislation acted upon favorably this past year, several administration proposals fell by the wayside, either in committee or through floor action. Among these was Federal aid to

education, which was bottled up in the House after becoming entangled with religious and political issues. The proposed Department of Urban Affairs gathered little favorable support and may not even see the light of day next year. The Youth Conservation Corps, revamping of the unemployment pay system, major tax changes, and a postage rate increase plan all failed, but may get a second chance in 1962.

PERSONAL REPORT

During the 1st session of the 87th Congress, I introduced 29 bills covering a wide range of subject matter. Among these were:

H.R. 341. A bill to amend the Legislative Reorganization Act of 1946 so as to require the yeas and nays in the case of final action by the Senate and House of Representatives on appropriation bills.

H.R. 342. A bill to amend the Internal Revenue Code of 1954 to repeal the tax presently imposed on the transportation of persons.

H.R. 933. A bill to amend the act of August 16, 1960, relating to exclusion from the mails of obscene articles.

H.R. 934. A bill to require a study of the effect of increasing the diversion of water from Lake Michigan into the Illinois Waterway for navigation and other purposes.

H.R. 935. A bill to amend the Passport Act of July 3, 1926, to authorize certain restrictions and limitations with respect to the issuance and validity of passports.

H.R. 937. A bill relating to the treatment of certain advertising, sales promotion, and similar items in determining price and price readjustments for purposes of the Federal manufacturers' excise taxes.

H.R. 938. A bill to repeal the excise tax on communications.

H.R. 939. A bill to allow a deduction for income tax purposes of certain expenses incurred by the taxpayer for the education of a dependent.

H.R. 940. A bill to amend the Internal Revenue Code of 1954 to provide funds for educational purposes by providing increased incentives for private giving through the allowance of a tax credit for charitable contributions to institutions of higher education.

H.R. 941. A bill to amend the Internal Revenue Code of 1954 to provide for the exclusion from gross income of the proceeds of a scholarship, fellowship grant, or student assistantship without regard to whether it (or any part thereof) represents payment for services rendered.

H.R. 1145. A bill to provide for the preservation of audio recordings of historical importance.

H.R. 1146. A bill to prohibit discrimination because of age in the hiring and employment of persons by Government contractors.

H.R. 1147. A bill to limit the applicability of the antitrust laws so as to exempt certain aspects of designated professional team sports, and for other purposes.

H.R. 5395. A bill to amend the War Claims Act of 1948 to provide for the payment of benefits under such act to certain citizens and permanent residents of the United States.

H.R. 5396. A bill to amend the act of September 14, 1959, with respect to sales and use taxes and other business activities in interstate commerce, and authorizing studies by congressional committees of this type of taxation.

H.R. 5921. A bill to amend title II of the Social Security Act to increase the amount of outside earnings permitted each year without deductions from benefits thereunder.

H.R. 7271. A bill to provide an exemption from participation in the Federal old-age and survivors' insurance program for individuals who are opposed to participation in such program on the grounds of religious belief.

H.R. 7374. A bill to amend title II of the Career Compensation Act of 1949 so as to provide that certain members of the uniformed forces shall not be entitled to receive any pay or allowances from the United States after engaging in any activity or conduct, while a prisoner of war, which results in giving aid or comfort to an enemy of the United States.

H.R. 7375. A bill to amend the Internal Revenue Code of 1954 to provide that a return of a surviving spouse shall be treated as a joint return without regard to the time of the death of the other spouse.

H.R. 7679. A bill to amend the Federal Aviation Act of 1958, as amended, to provide for all-charter certificates of public convenience and necessity.

H.J. Res. 10. A joint resolution designating October 31 of each year as Youth Honor Day.

H.J. Res. 36. A joint resolution proposing an amendment to the Constitution providing for the popular election of the President and Vice President of the United States.

H.J. Res. 506. A joint resolution proposing an amendment to the Constitution relative to equal rights for men and women.

H. Con. Res. 184. A concurrent resolution providing that appropriations for the mutual security program shall be reported in three separate bills, one for military assistance, one for economic assistance (other than technical cooperation), and one for technical cooperation and other matters.

H. Con. Res. 194. A concurrent resolution opposing further reduction of tariffs by Executive order.

H. Con. Res. 318. A concurrent resolution expressing the sense of Congress that the President should transfer to the Department of Defense functions of the Office of Civil and Defense Mobilization.

H. Res. 312. A House resolution to establish a House Committee on the Captive Nations.

H. Res. 321. A House resolution amending clause 2(a) of rule XXI of the Rules of the House of Representatives (appropriations).

More than 300 residents of the 10th Congressional District visited my office in Washington during the prolonged 1961 session. In almost every instance my staff arranged for visits to the White House, provided gallery passes for both the House and Senate, and arranged for tours of places of historical interest in the Nation's Capital. School and church groups, representatives of various business and professional organizations, and vacationing tourists repeatedly expressed their gratitude for the assistance and courtesies extended by our office during their stay here.

Earlier in this session, I took a public opinion poll in my district to determine how the majority of my constituents felt about some of the more controversial major legislative issues. The poll was particularly successful in that there was an excellent response. In fact, it ran 50 percent higher than the rate on most legislative polls. The returns were carefully tabulated on each question, a task which absorbed many extra hours of work on the part of my staff members. The consensus of my constituency, based upon this poll, were given complete consideration in my deliberations in voting on the issues in this session of Congress.

Because of the unusually late termination of this session, it became necessary

for me to cancel or postpone speaking engagements back in the district during the month of September. Many of these commitments were made on a contingent basis, since Congress heretofore usually adjourned just prior to Labor Day; however I have a heavy calendar of speaking engagements for civic, church, service and school groups throughout my district during the recess period. Two members of my Washington staff are returning to the district for the recess period to join the home office operation which functions year round in Berwyn. Constituents desiring to discuss Federal problems or pending legislation may arrange appointments in the district office during the recess period by telephoning my executive secretary on Pioneer 9-4115.

Congressional mail, which has been unusually heavy for the past year, is expected to taper off during the months of October, November, and December, thus providing more time for individual attention to case problems and committee work.

As a member of the Committee on Interstate and Foreign Commerce and the Subcommittee on Transportation and Aeronautics, my special assignments for the recess period have not been definitely designated. Your Representative has been particularly active in committee work during the past 8 months with such problems as the rapidly transforming aviation industry presents. Interstate and foreign commerce has undergone broad changes and even critical problems have developed in almost every field which must be coped with in the accelerated transportation industry by the Congress and its affiliated agencies. It is expected that our committee will conduct a series of studies and investigations on the jet and helicopter noise problems which have become a source of serious aggravation to the residents of our own district as well as those in areas of close proximity to the expanding airports of the Nation. Solutions to the noise problem and naturally the safety facets of these studies offer a very difficult challenge to the legislative and regulatory agencies of the Federal Government.

In closing, let me state that while the 1st session of the 87th Congress was marked with certain achievements and admitted failures in dealing with some of the delicate and critical domestic and foreign problems of this Nation, we face an even more difficult session next year with the seething world situation and a series of domestic issues which must be dealt with in the shadow of a tremendous national debt and heavy burden of present taxation upon our citizens.

Since this report, while it might appear lengthy, is actually but a comprehensive brief analysis of legislative activity during the past year, my office is prepared to provide detailed information on any and all bills of specific interest to all of my constituents. Requests may be made for such information either through the district office or by writing to my Washington staff, room 1622, New House Office Building.

Completely unsettled at the time of this report is the matter of congressional

reapportionment in the State of Illinois. The State legislature has been unable to agree upon reapportioning the congressional districts as required following each decennial census. In the event an agreement cannot be reached during the special session of the State legislature in Springfield this month, I will join 24 incumbent Members in Congress and a host of other candidates in a statewide race for 24 at-large seats. Fully aware of the fact that any reapportionment agreement must be equitable within the realm of geographical and population standards, it is my earnest hope that a feasible plan can be adopted in the interest of preserving the constitutional concept of representative government. For whatever period of time the residents of my present district and citizens throughout the State of Illinois are without such representation on a district-by-district basis, they are without the type of personal representation which the constitutional system was designed to provide. This, however, is a matter which will be resolved by the time the 87th Congress returns for the 2d session next January.

Secretary of Agriculture Freeman's Report

EXTENSION OF REMARKS OF

HON. WAYNE MORSE

OF OREGON

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. MORSE. Mr. President, I ask unanimous consent to have printed in the Appendix of the Record. A statement by me concerning Secretary of Agriculture Freeman's report.

There being no objection, the statement was ordered to be printed in the Record, as follows:

STATEMENT BY SENATOR WAYNE MORSE

The Honorable Orville H. Freeman has issued under date of September 20, 1961, a summary of his conferences in London and Brussels during the period September 8 through 14, 1961. This summary is most interesting in that it presents clearly and concisely the position of the Secretary with respect to a number of the trade problems affecting American agriculture.

I was particularly pleased to note his comments with respect to apple and pear exports to the United Kingdom. Because I feel that this summary will be of great interest to many farmers in the State of Oregon, I wish to include the report at this point:

"I went to Europe for three major purposes: To open the first U.S. agricultural exhibit at the London Trade Center; to confer with United Kingdom and Belgium governmental authorities regarding import restrictions on U.S. farm products; and most importantly, to meet with the European Economic Commission, and particularly the Commissioner for Agriculture, regarding tariff and trade problems affecting U.S. agricultural interests in the European Common Market.

"COMMON MARKET

"Roughly about one-half of our current agricultural trade of \$1 billion with the Common Market countries is still unsettled in the current Geneva negotiations. Some ex-

tremely important commodities not yet settled are: wheat, wheat flour, corn and grain sorghums, poultry, rice, tobacco, vegetable oils, and prunes.

"For grain products and poultry, the Common Market has proposed the use of variable import levies instead of fixed duties. These duties, without limits, could be used to exclude outside trade completely. As the true economic forces take hold in the Common Market, our trade may even be larger than it is today, but the immediate effect of the application of these unlimited duties would, in my judgment, significantly worsen our trade position. Therefore, I emphasized to the EEC the importance of maintaining our current trade position.

"For other commodities, the EEC has proposed tariffs which are higher than those we now enjoy. For tobacco, the EEC position is further complicated by the fact that whereas we now have a specific duty schedule, the EEC has proposed a split duty, under which a greater charge would be made for our tobacco since it is higher priced than the tobacco of our competitors.

"I felt it imperative to let the EEC know that its present offers could result in serious losses in our agricultural trade with the Community in the next 5 to 10 years. If these proposals were accepted, U.S. grain producers, poultry producers, the tobacco farmers and industry, and rice producers could only conclude that the Six have adopted a highly protective system against their products. The proposed fee system covers 75 percent of the agricultural output of the Six.

"Although my original schedule did not call for a meeting with the full European Economic Commission, I was delighted to find in Brussels that such a meeting had been arranged. After a lengthy talk with Agricultural Commissioner Mansholt, I met with the full Commission for 3 hours. This gave me an opportunity to present our views to the important officials who are charged with the entire EEC program.

"TRADE LIBERALIZATION

"In the United Kingdom we met with senior officials of the Ministry of Agriculture and with Mr. Reginald Mandling, head of the Board of Trade. In these talks we asked for more liberal trade treatment from the British for a number of U.S. agricultural products.

"First, we stressed the need for an end of the discriminatory treatment now accorded to U.S. exports of fresh grapefruit, grapefruit sections, and canned citrus concentrates. For these products, the United Kingdom has liberalized trade for all areas of the world except the dollar area, and that means the United States. The British explained that this restriction has been necessary to protect the position of the British West Indies. We explained that our farm and trade interests in the United States are convinced that the restrictions are purely discriminatory, since other countries are free to supply the United Kingdom market without restriction. The result is that we are steadily losing ground in the United Kingdom market to other suppliers.

"With the British we also discussed apples and pears on which a quota system is in effect for northern hemisphere suppliers (the United States and Canada) which permits 20 percent of the annual quota to be delivered during the first 6 months of the year and 80 percent during the last 6 months. We emphasized that the quota is not flexible enough to permit the entry of larger imports from the dollar area during years of short crops in the United Kingdom. We therefore asked for an increase in the per-

centage of imports permitted earlier in the season and for an increase in the quota.

"In Belgium we discussed apples and pears and the high license taxes on imports of feed grains. With respect to apples and pears, the Belgians have a calendar system in effect which excludes apples and pears from the dollar area until February or March of each year. At the same time, imports from EEC countries are permitted all year round unless they interfere with Belgian market prices.

"License taxes which the Belgians impose on imports of feed grains are very much like the unlimited variable duties described above. At the present time these license taxes in Belgium have been increased to the point where they are practically equal to the amount our farmers receive for feed grains. We pointed out that the high cost of feed grains to Belgian livestock producers was adding to the cost spiral of livestock products in Belgium thereby inflating the cost of living and causing price problems for Belgian industrial exports; and, also, that they were not really assisting the small farmer in Belgium who would be more efficient in the production of livestock.

"While in Belgium, two other subjects were brought to my attention. First, the Belgian Minister of Agriculture said it was his impression that the United States was excluding ornamental shrubs from his country because of economic protectionism. I explained that I thought that the reason we did so was because of the possibility of disease and insect-transmission on the roots of the plants, but agreed to review the question to assure that the reason for our controls was scientific rather than economic.

"A second matter of great interest in Belgium was the matter of Belgian carpets. The Tariff Commission is now investigating the need for an increase in the tariff on carpet imports. Discussion of this item occurred during our visit with the Belgian Minister of Foreign Commerce. There is little doubt that the outcome of the current carpet investigation will be of great concern to the Belgian Government. In their minds, there is definitely a relationship between what they do for more liberal treatment of our agricultural imports and the outcome of the carpet investigation.

"I believe these discussions with the EEC members, the British, and the Belgians helped to clarify and strengthen our position. While no commitments were forthcoming on any of the specific matters discussed, I am hopeful that the way has been opened for improvement of our situation.

"LONDON TRADE CENTER AND MARKET DEVELOPMENT

"In London, I opened the first U.S. agricultural exhibit at the U.S. Trade Center. The exhibit was well done and attracted a large audience. More than 100 United States and British trade people were represented at a special preview of the exhibit. I am sure that through such promotion we can substantially expand our sales of these products in the British market, which has traditionally been our largest outlet for agricultural exports.

"Also in London, I met with U.S. market development cooperators in Europe. This is the joint effort with American farm and trade groups to expand the marketing and improve the utilization of American farm products in overseas markets. I was pleased to be able to report to them that the Congress has approved a dollar appropriation that will permit an expansion of our trade promotion program in Western Europe and provide funds to carry the programs forward on a 3-year basis instead of the 2-year basis previously authorized."

Keep Public Drinking Water Pure

EXTENSION OF REMARKS

OF

HON. WALTER S. BARING

OF NEVADA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. BARING. Mr. Speaker, I feel it is of utmost importance that I focus the attention of this Congress on an issue which is sorely dividing our Nation at so critical a time when our very existence is dependent upon our ability to strengthen our national unity.

I refer to a program launched by a subagency in the Health, Education, and Welfare Department of this administration to promote fluoridation throughout cities, towns, communities, and all States of this Nation.

During the past year voters representing some 2,500,000 water users in 43 out of 56 cities rejected fluoridation with little more than about 50,000 having accepted.

Water is a prime necessity for life. All people are dependent upon pure, uncontaminated water. The addition of any substance to a public water supply for the purpose of affecting the bodies or mental function of the consumer establishes a dangerous precedent and preempts the inalienable right of the individual to determine what shall be done to and with his body as long as in the exercise of that right he does not infringe upon the equal rights of his fellow citizens.

An article which appeared in one of the most recent medical publications confirms that damage to bones can result from fluoride which occurs in natural water at a level as low as 0.8 parts per million. The U.S. Public Health Service claims on one hand that no harm can result from natural fluoride water as high as 8.0 parts per million, yet they require many communities where this occurs to reduce the fluoride content when it exceeds 1.5 parts per million—or abandon the source of supply. This clearly demonstrates that the U.S. Public Health Service itself realizes that the margin of safety is either narrow or nonexistent.

To use the very words of Dr. Walter L. Bierring, M.D., past president of the American Medical Association:

Prominence in the cause of disease is being given to man's management of the health hazards connected with air pollution, stream pollution, fluoridation, and radiation.

Fluoride additives have been consumed at an increasing rate over the past 50 years. Changes in disease pattern during that same period of time have not been explained away by medical science.

It is a fact that those who want their children to have fluoride can give it individually, in measured doses, with greater safety, greater reliability than if it were put into public water supplies.

Once the precedent of adding fluoride to the public drinking water has been

established, there is almost no limit to the possibilities for the introduction of all manner of drugs. We may open a door which we will never be able to close.

Past errors should have taught official agencies that they should not assume an air of infallibility and an attitude of indifference to public wishes.

Among the many examples which have proven to be "human time bombs" we might cite the approval and use of radon, of thorium, and of iodide in public drinking water for the prevention of goiter, with disastrous results. More recently, the stilbestrol incident, involving a cattle fattening hormone, and the cranberry weedkiller pointed up the justification of the demand by the public for protection from introduction of unnecessary and unwanted chemicals into products intended for human consumption. When the harmful effects of these chemical agents, previously approved for use by an administrative agency of the Government, were brought to national attention, the then Secretary of Health, Education, and Welfare, Arthur S. Flemming, in ordering discontinuance of the use of stilbestrol and the cranberry weedkiller, stated:

While the argument is going on, the consumer should not, in effect, be asked to serve as a guinea pig. The consumer should never be asked to take a risk of this kind.

I submit that this is the kind of action the Nation is entitled to in the case of fluoridation, especially when there are scientists of Nobel award stature who question the safety of fluoridating public water supplies.

The Association of American Physicians and Surgeons, composed of over 20,000 members of the American Medical Association, condemned mass medication, including fluoridation and the use of the public water supply as a vehicle for drugs. The Medical-Dental Committee on Evaluation of Fluoridation, sponsored by over 1,600 physicians, dentists, and scientists, have critically studied the fluoridation proposal and have shown that it is not safe, that its efficacy has not been demonstrated. They have also shown many reasons why prolonged intake of fluoride may lead to serious chronic conditions for some people. Fluoridation runs counter to the historic policy of the medical profession in maintaining the doctor-patient relationship.

Because of the very important fact that each individual reacts differently to medication, only a physician can determine when fluoride administration should be reduced or terminated.

Another aspect of this fluoridation problem, is a need to bring to the attention of this Congress the unethical methods used in promoting fluoridation, starting with the fourth annual conference of the State dental directors and the Public Health Service held in Washington in June 1951, culminating in a now new accelerated high pressure program of the U.S. Dental Public Health Division that will be conducted through the use of undetermined funds now being requested under House bill 4742 and Senate bill 917.

Mr. Speaker, these are not good bills. They would permit uncontrolled use of Federal funds for promotional schemes not in the best public interest.

Furthermore, this unethical promotion, among other things, now takes the form of aiding certain questionable actions on the part of many State boards of health. These boards while working closely with the U.S. Dental Public Health Division, to impose fluoridation upon an unsuspecting public, are actually supplementing directives which originate at the U.S. Public Health Service. The results are not only misleading in content but, by misrepresentation and distortion, tend to convey to local communities that fluoridation of public water supplies is imperative.

The U.S. Public Health Service has aggressively, through the use of taxpayers' money, promoted fluoridation throughout these United States with grants-in-aid inducements. Fluoridation projects have been underwritten by/or subsidized with Federal funds.

The American Dental Association through close coordination with the U.S. Dental Public Health Division has coercive access to control of vast Federal health funds. It has for years been persistently promoting fluoridation on a national scale, using promotional methods not in accord with the finest American tradition.

Free expression of opinion is being prevented among physicians and dentists; publication and exchange of scientific data among scientists and members of the professions is inhibited by threat of retaliation and economic reprisals. Dentists opposed to fluoridation have reason to fear disciplinary measures from their local dental societies.

When approximately some 60 million people have rejected fluoridation, including those in 100 cities which discontinued it after a trial because of damage to health and property; and when 100 million Americans are now facing possible fluoridation of their drinking water, I believe a most serious Federal policy problem exists.

Our citizens have certain fundamental and constitutional rights. The sooner they are recognized, the sooner we shall resolve the fluoridation controversy. These rights must be expressed as:

First. The right of every citizen to a water supply free from any drug or chemical not required for the purification thereof.

Second. The right of every citizen to a freedom of choice in matters concerning his health so long as this choice does not infringe upon the rights of others.

Third. The right of the professional person, particularly the physician and dentist and scientist, to investigate and to speak freely according to conscience, without fear of censure, and/or reprisal.

I further submit that this program which would treat American citizens as statistical averages rather than individual human beings is needlessly provoking antagonism toward an otherwise effective and important agency of Government. Promotional fluoridation harassment and intimidation of the public is disturbing the tranquility of this

Nation at a time when we can least afford it.

Many letters received by the Greater New York Committee Opposed to Fluoridation, from citizen groups representing some several million people of this Nation, are pleading that something be done to combat at the Federal level this promotional menace of forced fluoridation. Certainly when citizens have demonstrated unmistakably their rejection of fluoridation, and when there exists substantial disagreement within the scientific and medical professions as to the safety and efficacy in the fluoridation of potable water, it should not, it must not, be supported at a Federal level.

Appointment of Hon. Paul J. Kilday To Be Judge of U.S. Court of Military Appeals

SPEECH
OF

HON. WILBUR D. MILLS

OF ARKANSAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, September 21, 1961

Mr. MILLS. Mr. Speaker, I join my colleagues in the House of Representatives in paying tribute to one of our most esteemed, admired, and respected colleagues, the Honorable PAUL KILDAY, in his appointment to be a judge of the U.S. Court of Military Appeals.

PAUL KILDAY and I came to Congress in the same year, 1938, and we have been close friends ever since. No finer or more able man has served in the House of Representatives than PAUL KILDAY.

As has been so eloquently pointed out by Members of the Texas delegation, he has one of the brightest legal minds of anyone who has ever been a Member of this body. Indeed, it is not too much to say that PAUL KILDAY is a man of towering intellect. Many times we have observed his handling of complex and intricate legislation on the floor of this House, and many times we have observed the manner in which he is able to explain, in simple, clear, and concise language, the intricacies and complexities of that legislation.

PAUL KILDAY is a man of complete integrity. Not the least of his outstanding qualities, however, is his sound judgment. This is a quality which is somewhat rare, and yet is one of the most important qualities which a statesman or a leader in public life can possess.

It is with regret that we learn that PAUL KILDAY will not be with us in the next Congress, but Members can be reassured that his service as a judge on the U.S. Court of Military Appeals will be marked by accomplishments in the judicial arena as significant as those which have marked his accomplishments in the legislative field.

I commend his appointment to this most important tribunal. The best wishes of all the Members of the House are with him in his new endeavor.

Law and the Free Citizen

EXTENSION OF REMARKS
OF

HON. ARNOLD OLSEN

OF MONTANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. OLSEN. Mr. Speaker, a friend has recently drawn to my attention an article in the Montana Veteran relating to an essay, "Law and the Free Citizen." It was written by John Logan, a member of the English class of John Doohan, of Anaconda Senior High School of Anaconda, Mont. John Logan is attending Williams College, Mass., as a freshman. He received the Tyng scholarship.

I found this a most stimulating article, which I would like to share with my colleagues:

JOHN LOGAN'S NATIONAL PRIZE WINNING ESSAY CONSIDERED MASTERPIECE IN LITERATURE

Printed here is the winning essay entry of John Logan, Anaconda Senior High School student who was graduated this spring. John Logan placed first in Montana and third in the national 1960-61 writing contest sponsored by the ladies auxiliary of the Veterans of Foreign Wars. This year's writing subject was "Law and the Free Citizen."

We feel that Logan did such a masterful job of self-expression in his essay, that it is worthy of reproduction for the benefit of our readers.

Logan's essay follows:

"LAW AND THE FREE CITIZEN"

"As I kneel before my icon, I pray that I may someday enjoy citizenship in a democracy, a government by law, not by the state. I speak for the millions of oppressed and enslaved peoples of the totalitarian societies of the world. How fortunate are you, the citizens of democracies, the possessors of a great heritage of freedom and justice under law.

"In our atheistic societies, God-given rights are not recognized. Any rights which we may have are granted by the government and consequently the individual is unimportant. Our laws, products of a regimented legislature or of a ruling group's decree, are frequently and easily ignored by those in power. Our police whose prime objective is to preserve the tyrannical state, search without warrant, arrest without charge, and punish without trial. We are then like colonies of bees, efficient but lacking the individual initiative, freedom and happiness which can be based only on the democratic rule of law.

"In your democratic societies, the individual is of great importance. His divine or natural rights are protected and preserved, but also limited so that they do not interfere with the individual rights and freedoms of others.

"Your laws are made by lawfully elected representatives who although they represent the majority, protect the minority.

"Behind the actions of your law enforcement officers lies the strength of conscience and justice, rather than mere force and fear. Freedom of speech, of worship and assembly are recognized. The equality of all before the law, as well as the intrinsic right of all to 'life, liberty, and property,' are preserved.

"You may change your officials, your laws, or even your entire government without resorting to violence, for armed revolution is never necessary in a democracy.

"Yes, you are indeed fortunate.

"But how did you receive this wonderful inheritance? It is, in part, through men such as Hammurabi, Moses, Solon, Cicero, Justinian, and Napoleon, who have helped the rule of law grow.

"The flame of freedom under law was lit in America by the signers of the Mayflower compact who agreed to 'enact, constitute, and frame such just and equal laws unto which we promise all due submission and obedience.'

"The light generated by the Declaration of Independence for nearly 200 years has been dispelling the darkness of tyranny and oppression throughout the world. In unparalleled eloquence it reaffirms the premise that governments gain their power and authority from the consent of the governed.

"The U.S. Constitution is a glowing example of the glorious results of a meeting of lawful representatives rather than of opposing armies. The justice and propriety of America attest to the timeless greatness of this document.

"But be not complacent and overconfident, for you citizens of democracies occupy precarious positions, indeed. You take a middle course between the complete lawlessness of anarchistic license and the absolute rule of communistic oppression. So do not expect freedom from government, but freedom through self-government.

"Your freedoms, your rights, and even your entire system may be destroyed by powerful foreign forces or by the far stronger evil of domestic indifference. Be vigilant, for your crime rate, an indicator of the reverence of and adherence to the law, is increasing at a frightening rate. Even average citizens are more frequently violating motor vehicle, hunting, fishing, and tax laws.

"Comparatively few people vote regularly and even fewer are active in politics. There is, then, a definite need for increased civic effectiveness on the part of all citizens.

"How must you combat these forces of domestic decay? You can practice in yourself and encourage in others individual virtue, for, after all, the effectiveness of the law is limited by the character of the individual citizens.

"Become educated and informed in matters of politics and encourage all others to make politics their avocation.

"Be sure you elect honest officials and lawmakers who represent your views. If the laws are not supported by the majority, they cannot be enforced. The corruption and crime introduced by prohibition show how dangerous a poor law can be.

"In deciding which new measures to support, consider them carefully. Are they constant with the basic democratic principles? Are they too gentle or too severe? If they are too gentle they will be disregarded or if too severe they will be unenforceable. Are they comprehensive enough to prohibit tyranny and yet limited enough to allow freedom? Are they explicit so that they may prevent crimes and settle disputes by their clarity?

"Constantly reexamine present statutes, for there is no magic perfection in existing laws.

"Insist on strict and absolute enforcement. All laws must be binding on all people, or every law will be disrespected and ignored. Rigidly stay within the limits of existing legislation, since a disregard of one limit will inevitably lead to a disregard of all legal limits.

"Obey all laws, for they are sacredly binding upon all, since the majority consented to and approved of them. Drive your car according to law, be a true sportsman who obeys all regulations, and be honest and fair in paying your taxes which are your contributions to your government—your liberty insurance.

"Assist in preventing crime, give evidence freely, and serve on the jury willingly. Ful-

fill all the sacred obligations of citizenship. Be informed, be active, and be aggressive in performing these duties. The time to guard against oppression is before it comes.

"Certainly some of your laws have faults, but your security lies in knowing them and in working to improve them. Revise, enforce, and obey your laws, for their strengths are your strengths and their weaknesses are your weaknesses. Preserve, extend, and pass on your government of law to all the oppressed peoples of the world. Remember, there are many of us who have given and will give our lives for the bulwark and the basis of freedom, the law."

Establishment of Voluntary Pension
Plans by Self-Employed Individuals

EXTENSION OF REMARKS

OF

HON. EVERETT MCKINLEY DIRKSEN

OF ILLINOIS

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. DIRKSEN. Mr. President, I ask unanimous consent to have printed in the Appendix of the RECORD a statement by me concerning H.R. 10, a bill to encourage the establishment of voluntary pension plans by self-employed individuals.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR DIRKSEN

For the past 10 years I have followed with considerable interest H.R. 10, a bill to encourage the establishment of voluntary pension plans by self-employed individuals. I have long been in favor of the principle of this legislation, but on several occasions during the course of this 10-year period I found it necessary to differ with the proponents as to the method of achieving their goal. Today I am pleased to say that I wholeheartedly endorse H.R. 10 as reported by the Senate Finance Committee. The features which I found objectionable in the past have either been eliminated or changed to the point where I can, in all good conscience, embrace this legislation.

Practically everyone who is acquainted with this subject will agree that the principle of this legislation as now proposed is sound. Certainly the Members of the House recognized this in the 85th and 86th Congresses and again in this session when they passed H.R. 10 by a practically unanimous vote. Certainly the members of the Senate Finance Committee in the 86th Congress recognized this when, after extensive hearings, they approved H.R. 10 by a 12 to 5 vote. On August 25 of this year, this committee ordered H.R. 10 favorably reported 14 to 3.

It was apparent to me, after reading the minority views in the Senate Finance Committee report, that a number of misconceptions still exist in the minds of two of my distinguished colleagues. Their proposals were heard and voted down by the committee in the 86th Congress and again this year. I am confident that the proponents of this legislation will, on the floor of this Congress, meet these arguments again and in such a way as to gain the overwhelming support of this body. Rather than criticize, I wish to commend the spokesmen for the various national self-employed groups because, to the best of my knowledge, at no time have they said, "If

you won't give us these benefits, then we wish to have them taken away from the corporate employees."

This is a good bill and for a number of reasons, one of which is the fact that it encourages people to help themselves. It encourages initiative, self-reliance, and the other qualities which helped to make this country great, but qualities, which I regret to say, are disappearing rapidly from the American scene. This Congress has an opportunity to resurrect these attributes which are so desperately needed by our country at this time by enacting H.R. 10 into law.

This remedial legislation is designed to correct an inequity in our tax structure which prevents this Nation's 10 million small business, farm, and professional people from receiving treatment comparable to that which is accorded corporate employees.

The impetus for the steady growth in corporate coverage was supplied in 1942 by the 77th Congress when it wisely enacted legislation which encouraged corporations to promote the economic well-being and future security of their employees. One has only to look at the increase which has occurred since 1940 to appreciate the soundness of this legislation. In that year 4.1 million were covered; in 1950, 9.8 million; and in 1960 the figure rose to 20 million. Approximately 1 million people are being added each year to private pension plans.

When we add to the 1960 total the approximately 8 million covered by State and local government plans, civil service, armed services, railroad retirement systems, etc., the total number of Americans covered by pension plans is approximately 30 million people.

H.R. 10 does not, as its few opponents would have you believe; broaden a tax loophole, and open a Pandora's box, but rather extends what has been proven over the past 19 years to be sound legislation to the point where it includes a dedicated, courageous group of Americans, the self-employed.

To accomplish this, self-employed persons are treated for retirement plan purposes as the employers of themselves. This was the fundamental concept of the House bill and it is retained in the Senate Finance Committee's substitute. As employers, self-employed individuals are permitted, like other employers, to deduct contributions (within specified limits) made to pension or profit-sharing plans for the benefit of themselves and such other employees as may be covered under the plan. Under the committee bill, a self-employed person would be permitted to contribute to a retirement plan 10 percent of his earned income or \$2,500, whichever is the lesser. He would be permitted to deduct 100 percent of the first \$1,000 contributed and 50 percent of the remaining \$1,500, which may be contributed. The maximum deductible amount would be \$1,750.

As employees, as with other employees, they are not taxed on such contributions made for their benefit, or the income thereon, until they receive the funds upon retirement or otherwise.

The committee changes have drastically reduced the size of the revenue deferral, in fact to a point where this can no longer be used as a major argument against this measure. Oh, I am not deluding myself, because there will be some who will cry economy, who will use the international situation as an excuse for opposing this bill; but these few, time and time again have, and will continue, to support domestic programs with high price tags and questionable dollar value.

The estimates for H.R. 10 range from less than \$100 million to \$200 million. In view of the actual experience in other countries, Great Britain, Canada, and New Zealand; and the fact that the Treasury Department generally overestimates, I am inclined to accept the lower figure.

Regardless of the exact amount, I wish to remind you that the potential revenue deferral is already made possible in the present tax law since the establishment of tax-deferred pension plans is available to any self-employed person who incorporates his business or occupation.

If we fail to act in this Congress, we will, I am certain, force a great many of this Nation's self-employed to incorporate and in most cases solely for the purpose of gaining tax treatment relative to their retirement savings similar to that which is offered their corporate brethren. Passage of H.R. 10 will encourage these fine, hard-working Americans to retain their self-employed status, defeat will be a major blow to them and an invitation to incorporate for tax advantage because of their natural desire to protect themselves in their later years. Now I don't believe we can afford the loss of too many more self-employed without jeopardizing the position of this country both on the domestic and international fronts.

H.R. 10 is a good bill, it is a just bill. I urge my colleagues on both sides of the aisle to join with me in working for the early enactment of H.R. 10 in the 2d session of the 87th Congress.

Search for Scapegoats

EXTENSION OF REMARKS

OF

HON. JOHN MARSHALL BUTLER

OF MARYLAND

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. BUTLER. Mr. President, as a member of the Joint Economic Committee, the problem of inflation has long been of great concern to me. In fact, on April 6, 1957, in an address at Pittsburgh, I foresaw the possibility of a gold crisis which unfortunately materialized some 2 years later.

There has been a strange disposition on the part of the administration to condemn price increases in certain industries, particularly steel. No concern has been shown for cost increases which, if not compensated by price increases, may jeopardize the existence of all industries. The excuse frequently advanced for singling out steel is that it is the bellwether of the economy.

The total sales of the steel industry in 1960 as reported by the American Iron and Steel Institute, which represents 95 percent of the capacity of this industry, were \$14 billion. To be sure, this is a lot of money. However, to appreciate the true significance of this sum, it must be related to other indicators of economic activity. For example, it represents less than 3 percent of our country's gross national product. On the other hand, the Federal Government's receipts from the public in 1960 totaled \$95 billion, which is 18.8 percent of our gross national product.

This Congress has authorized more new projects and approved more backdoor spending in a shorter period of time than any other with which I am familiar. This was done in spite of the need to meet our rising defense commitments by reducing nonessential civilian programs. Excessive spending by the

Federal Government is contributing mightily toward new inflationary pressures.

Private individuals, business firms, as well as State and local governments cannot indefinitely increase the money supply. However, the Federal Government may do so by directly borrowing from the commercial banking system of the country through the issuance of new securities. This Congress has authorized an additional \$14 billion of borrowing by increasing the ceiling on the national debt to \$298 billion.

Inflation is produced by other governmental policies, some of which are not immediately recognized. For example, the State Department is endeavoring to assist underdeveloped countries by raising the market price of their principal export commodities. In fact, every American housewife will be affected if present plans are carried through as the wholesale price of coffee will be raised by 10 cents per pound through an International Commodity Agreement.

Barron's magazine, a respected business and financial weekly, places the blame for inflation where it belongs, on the policies of the Federal Government. Mr. President, I ask unanimous consent that an editorial entitled "Search for Scapegoats" from its August 28 issue may be printed in the RECORD at this point.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

SEARCH FOR SCAPEGOATS—WASHINGTON ALONE IS TO BLAME FOR INFLATION

Through the CONGRESSIONAL RECORD, a journal which often may be read for pleasure as well as profit, the Nation last week found itself privy to the following exchange of courtesies between Senators ALBERT GORE, Democrat of Tennessee, and STUART SYMINGTON, Democrat, of Missouri. "Mr. GORE: 'I dare not undertake to express my views on large successful business operations, as my distinguished colleague from Missouri, who before disposing of his investment in private industry, was a marked success.' Mr. SYMINGTON: 'The Senator is very kind, as well as able. I understand he has not done so badly.' " Having set the RECORD straight on each other's finances, the two men of affairs, with the help of several like-minded lawmakers, thereupon proceeded to tell the steel industry in no uncertain terms how to run its business. Although wages of the steelworkers are scheduled to go up in October, the producers, so the Senators averred, "neither need nor deserve higher prices."

Taken alone, the foregoing colloquy might be filed and forgotten under what has been aptly captioned "Wind on Capitol Hill." Unfortunately, however, in this particular wind the observer can discern more than one significant straw. Just before the coterie of Senators took the floor to berate the steel masters, the Secretary of Agriculture, upon hearing of a prospective rise in the price of bread, publicly assailed the Nation's bakers. More generally, administration spokesmen have begun to stress the necessity for businessman and worker alike to exercise restraint, and to refrain from charging all that the traffic will bear. Such tactics, which might be termed open-mouth operations, obviously strike Washington as a shrewd means of clamping a more or less voluntary lid on prices (and, if imperative, perhaps on wages as well). The rest of the country, however, well may challenge both the means and the ends. For while the campaign has been launched with the con-

nivance of a few in Congress, it obviously constitutes a reckless, ill-considered, and wholly unsanctioned intrusion into the Nation's economic affairs. Moreover, if the past be any guide, it simply won't work. For the true villain of the piece is neither industry nor labor but Government, or more accurately, the credit and fiscal excesses which only the Federal Government can commit.

These truths, as well as several others, went by the board in Washington last week. In a letter to the American Bakers Association, the Secretary of Agriculture urged its members to think twice before raising the price of bread, "especially in view of the possible public reaction." Senator GORE had much more to say about steel. First, he repeated the popular fiction that "steel prices are not set by competitive forces of the market, but by arbitrary arrangements made among the managers of large companies." He cited an estimate by the President's Council of Economic Advisers as proof that in the fourth quarter of 1961, the industry, even in the absence of higher prices, would enjoy a "good rate of return." Finally, "in the name of the public welfare," he demanded that the Government use every possible weapon—including moral suasion by the President, antitrust action by the Department of Justice and, if all else failed, "utility-type regulation"—to keep Pittsburgh in line.

In another day and age, such proposals would have drawn a stinging rebuke, either from the opposition party or, most certainly, from the private interests involved. To date, however, the response has been faint. In a mildly worded reply to Mr. Freeman, the bakers merely pointed out that the cost of flour has gone up and that the association, unlike its individual members, has nothing to do with setting prices. As for steel, a trade publication has criticized some of the specific points raised by Senator GORE, most notably the CEA forecast of fourth-quarter profits. The industry itself, however, has held its peace.

While perhaps understandable, its continued silence is a matter of regret. For as even a moment's reflection suggests, there is a great deal indeed to be said. To begin with, in making his threadbare charges about so-called administered prices, Senator GORE, either by accident or design, wholly disregarded what in fact has been going on in the marketplace. For months (Barron's, June 12) the steel industry has been plagued by a rash of price-cutting in such products as electric-weld pipe, reinforcing bars and stainless sheet and strip. Even as the solon was speaking, his comments were being refuted by the Youngstown Sheet & Tube Co., which, after seeking for 8 weeks to exact a higher price for rigid conduit from its presumably helpless customers, last Tuesday had to beat a retreat. As for steel prices and profits, this publication does not presume to judge whether they are too high, too low or just right, and we commend the same restraint to Senator GORE and his followers. For what they are advocating is tantamount, willynilly, to peacetime Federal price control, unaccompanied by any curb on wages, and aimed solely at one line of business. If allowed to prevail, so outrageous a policy would spell the end of free enterprise in steel and the beginning of the end for the rights of private property everywhere.

Steel prices, in short, are the proper concern not of Congress but of those who own and operate steel mills. Pittsburgh alone must decide in October whether competitive conditions, current and prospective, warrant a higher price. Meanwhile, lawmakers who are genuinely troubled at the prospect of inflation need scarcely be idled. There is much to do right in their own balliwick. For example, they can do something about a

farm program which recently upped the support price for raw cotton, thereby touching off a spiral throughout the textile and garment trades. They might probe into U.S. quotas on fuel oil, which effectively have raised heating costs throughout the northeast. They might crack down upon a State Department which cheerfully exhorts the U.S. consumer, in the name of hemispheric solidarity, to pay 10 cents more per pound for coffee. If truly alarmed, the lawmakers even might urge the White House to alter its dangerous easy money bias and to tighten the Federal pursestrings.

On such issues, rather than on the price of steel, the dollar will stand or fall. If Washington continues to throw its weight against the consumer in one market after another, to keep credit plentiful and cheap and to run endless budget deficits, the currency sooner or later must suffer. Inflation cannot be stopped by exhortations or threats to private citizens, individual or corporate, or by the search for scapegoats. It can be stopped only by the determination, at the highest Government levels, to embrace a measure of financial restraint.

Protectionists Gain, Peril Kennedy 1962 Bid for More Liberal Law

EXTENSION OF REMARKS

OF

HON. WAYNE MORSE

OF OREGON

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. MORSE. Mr. President, a number of Oregon farmers, especially those connected with our growing seed industry have been disappointed by the failure of the Tariff Commission to give what they consider to be adequate consideration to the needs of agricultural industries.

In this connection, they have directed my attention to the article which appeared in the September 20, 1961, issue of the Wall Street Journal. The material contained in this article, I think, will be of great interest to Senators. I ask unanimous consent that the article be printed at this point in my remarks.

There being no objection the article was ordered to be printed in the RECORD, as follows:

PROTECTIONISTS GAIN, PERIL KENNEDY 1962
BID FOR MORE LIBERAL LAW—CAMERA, RADIO,
TEXTILE FIRMS' PLEAS SWAY CONGRESSMEN;
UNEMPLOYMENT IS A FACTOR—A SHIFT IN
THE SOUTHERN VIEW

(By John A. Grimes, staff reporter of the
Wall Street Journal)

WASHINGTON.—President Kennedy's free-trade drive in 1962 will face a towering obstacle: congressional protectionist sentiment of a magnitude not seen since the high-tariff twenties.

Well in advance of next year's administration push to extend and liberalize the reciprocal trade law, demands for defense against import competition are swelling mightily. Members of both parties from many parts of the land are responding to home-State complaints from industry and labor about real or threatened damage from the rising influx of foreign goods. There are growing rumblings of discontent about the effectiveness of present safeguards. Scarcely a week goes by without a new speech on the House or

Senate floor calling for import quotas on some foreign product—a step essentially distasteful to the Kennedy regime.

"You can start with bread along the Canadian border and go all the way down to strawberries on the Mexican border; I don't think you can find many holes in the map where there isn't a complaint from someone about imports," remarks a key House official.

A House Democrat runs through this list of plaintiff industries: "Coal, some steel, pottery, cement, oil, glass, some machinery, lead and zinc, cameras, transistor radios, all kinds of textiles, clothing, baseball gloves, fishing rods; all these and more are howling about imports." And, he adds, "Congressmen are listening now."

PROTECTIONIST RESOLUTION

Sample response: More frequent introductions of the perennial protectionist resolution urging that the Senate and House declare it the sense of Congress that no more tariff-easing agreements be negotiated by the executive branch during the remaining life of the Reciprocal Trade Agreements Act expiring next year. This resolution has been introduced more than 70 times this session, compared with some 40 last year.

"This isn't a case of the same old protectionist groups making more noise," cautions a long-time House stalwart for freer trade who has been doing some private sampling. "This time there's more of 'em." An ardent protectionist who has done his own polling cheerfully agrees. "We're the strongest we've been since the first reciprocal trade law in 1934," he enthuses.

A potent combination of political and economic forces underlies this gain in strength.

The departure of President Eisenhower, for one thing, has put more Republicans in the protectionist column. "Mr. Eisenhower dragged a lot of kicking and screaming Republicans along with him on trade," asserts a key legislator. "Now that he's gone, they're reverting to type." Senator BENNETT, of Utah, who backed Ike on trade legislation in 1958, is urging safeguards now against certain meat imports. Also, almost all of the GOP's 21-seat gain in the House in the 1960 election is counted a plus for protectionism.

SOUTHERN VIEW CHANGES

On the Democratic side, the southerners who began abandoning their traditional free-trade stance as Dixie industrialized are turning more protectionist as foreign invasion of their markets grows.

This year influential Democratic Representative VINSON, of Georgia, engineered a demonstration in which some 70 textile-State lawmakers, mostly Democrats, stood up on the House floor and demanded import controls. Senator BYRD is backing away from his traditional support of freer trade legislation.

More border State and northern Democrats are heading the same way. Even such liberal Senators as MUSKIE, of Maine and McCARTHY, of Minnesota want to require consideration of foreign wage rates in any decision on relief from import competition. Outspoken for more protection is New York's Representative STRATTON, whose upstate district encompasses such import-affected industries as textiles, gloves, and General Electric Co.'s heavy electrical equipment works at Schenectady. More and more northern Congressmen are feeling the heat from local unions, including those of Walter Reuther's United Auto Workers, even though national labor leaders favor liberalized trade.

Much of this pressure is prompted by the fact that unemployment on a seasonally adjusted basis, has remained at almost 7 percent of the labor force, despite economic recovery. "If you've got any unemployment in your district at all, you have a hard time justifying a free trade position," asserts a

midwestern Democrat. Another lawmaker complains: "Whatever may be the cause of unemployment, imports get the blame."

MACHINERY, TEXTILE IMPORTS UP

The incoming tide of foreign goods clearly is increasing in amount and variety. Spurred by economic recovery in this country, U.S. imports jumped in July, the latest month for which figures are available, to the highest monthly level since September 1959. At nearly \$1.4 billion, adjusted for seasonal fluctuation, this was 16 percent over the June level and 9 percent above that of July last year. Increases were reported in U.S. purchases of machinery, vehicles, metals, and textile products. Not only is there a rising flow from longtime suppliers abroad, but newly developing lands are seeking out the rich American market. One recently introduced item: tennis racquets from Pakistan. Obviously the rising winds of protectionism on Capitol Hill portend a major battle against the administration's attempt to extend the expiring Reciprocal Trade Agreements Act and push into new ground. Rather than trimming back past trade concessions, White House officials are hunting ways to open the domestic market wider to foreign producers. The key aim: To supply Mr. Kennedy with bargaining tools to prevent U.S. goods from being closed out of trading blocs abroad, such as Europe's six-nation Common Market. Instead of the cumbersome item-by-item tariff-cutting authority first handed President Roosevelt and extended 11 times since then, Mr. Kennedy may seek new powers to slash import duties on a broad range of commodities.

"Unless the present mood of Congress changes completely, any idea that the administration can get approval of this sort of thing is sheer fantasy," snaps a Southern Democrat.

A TRIP TO HOLLYWOOD

Even now, protectionists are working to build a solid case against trade liberalization next year. Democratic Representative DENT, of Pennsylvania, a consistent foe of freer trade, heads a House subcommittee that has collected evidence from far and wide of import damage to U.S. employment. So far, Mr. DENT's group has delved into textiles and cheese and has even taken testimony on the effect of foreign airlines' invasion of the United States on employment of American pilots. In the works: A subcommittee trip to Hollywood to inquire into the effects of foreign film imports on U.S. moviemaking.

Although Congress hasn't had major trade legislation to deal with at this session, significant indicators of increased protectionist power keep showing up in legislative measures. House lawmakers wrote into the foreign aid authorization bill a provision barring loans to nations for building or running any plants that would produce goods in competition with U.S. manufacturers, unless such nations promised to limit exports to this country to 10 percent of annual output. Although a Senate-House conference eased the restriction to 20 percent, the amendment stayed in the measure.

Protectionists claim credit for the pressures that brought insertion of a "stiff-interpretation" into the treaty for U.S. membership in the 20-nation Organization for Economic Cooperation and Development. Reflecting concern over possible dilution by the Organization of this country's control of its own trade policies, the provision specified that U.S. membership would neither lessen nor expand this Nation's sovereign powers.

DEMANDS FOR RELIEF

What many lawmakers want as a price for any support for trade liberalization is some firm assurance of more relief for import-injured industries. Such help could take the form of administration-proposed import quotas for certain products, or simply of

greater Presidential acceptance of Tariff Commission recommendations for curbing imports or raising tariffs to protect domestic producers.

Strong words of warning have come from Mr. VINSON, one of the administration's ablest votegetters among southern Democrats: "Unless quotas are imposed that will provide the necessary protection to the textile industry in the United States, I think I can safely predict that at least some of the Members who voted to extend the Reciprocal Trade Agreements Act in 1958 will have second thoughts if a bill to extend the act is presented on the floor in 1962."

Since he spoke, the United States has worked out an agreement with 16 nations to reduce cotton textile imports to this country and reroute some of the flow to other lands. How effective it will be in curbing the competition and relaxing congressional pressure for action remains to be seen.

"This administration has got to recognize that industries are getting hurt," declares a key Southern Democrat. "Kennedy can't go on ignoring Tariff Commission recommendations like Eisenhower did."

CURBING PRESIDENTIAL POWER

Of 35 recent cases in which relief was recommended by the Tariff Commission, Congressman STRATTON, of New York, relates 22 were turned down by the White House—"a sorry percentage," he scoffs. To stop this sort of thing, protectionists would like to make Tariff Commission recommendations mandatory, rather than leaving final judgment up to the President; such a sharp change does not seem likely to be adopted soon, however.

Congress' mood is not lost on the administration, in any case. Indeed, some lawmakers suspect Mr. Kennedy has recently been careful to avoid a congressional rebuff on tariffs. He sent back for further study recent unanimous Tariff Commission recommendations for relief for domestic industries against imports of baseball gloves, ceramic mosaic tile, and certain kinds of glass, these Congressmen note. A Presidential "No," they suggest, might have been overridden by a two-thirds vote of Congress—a check provided in the 1958 extension of the trade law.

In both the substance and presentation of its 1962 trade proposals, the administration will strive to anticipate and overcome congressional objections. A key feature of its new program is expected to be a broad new plan to ease the impact of further tariff cuts. Rather than relying on higher tariffs or import quotas to protect domestic industries, the plan would emphasize increased Government help to "rehabilitate" companies, industries, or communities hard hit by imports.

Soon Cabinet officials and their top aids will "start beating the drums" for the new trade approach, promises one official. "Once the President gets into the fight," insists another, "it will put a whole new perspective on things." To help cultivate support for free trade plans both in Congress and in the business world, Mr. Kennedy has already named a Republican banker, Howard C. Petersen, as a special White House assistant.

The administration's congressional allies won't be idle, either. One administration lieutenant in the House remarks: "I expect to do a lot of talking on this matter between sessions." Democratic Representative Boggs, of Louisiana, a long-time battler for freer trade, plans public hearings next month by his Foreign Economic Policy Subcommittee of the Joint Economic Committee. He expects the testimony will provide much ammunition against the protectionist attack. Mr. Boggs has also signed up former Secretary of State Herter to help head a study of world economic and trade problems.

Report by Congressman Perkins Bass to the 2d Congressional District of New Hampshire on 1st Session, 87th Congress, September 1961

EXTENSION OF REMARKS

OF

HON. PERKINS BASS

OF NEW HAMPSHIRE

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. BASS of New Hampshire. Mr. Speaker, it is a good time to look at the record, now that Congress has finally concluded this very lengthy 1st session of the 87th Congress. This report recaps the activities of the House and Senate during this past so-called honeymoon session.

If we were to characterize the congressional attitude of 1961 toward defense and foreign affairs, it would have to be one of bipartisanship and all but unanimous support of President Kennedy in his first 8 months of office. And this in spite of considerable feeling that the new administration had badly handled situations in Cuba and Laos.

As it has been since the beginning of the cold war, the Communist threat to our security posed by the military power of Russia and their goal of world domination overshadows everything else. To meet this threat, Congress approved, and in several instances exceeded, Presidential requests for military spending. As a result, the United States will spend over \$51 billion in fiscal year 1962 for its security or about \$275 for every person in the United States. Vast as these expenditures seem, the final appropriations were approved by unanimous roll-call votes in both the House and Senate. Also authorized was the callup of some 250,000 reservists and national guardsmen.

Economic and military assistance to our allies and the uncommitted nations roughly equal to last year's \$4 billion commitment, were passed. An economic development loan fund with a 5-year authorization was approved, but with the requirement of yearly congressional appropriations. Many felt, as I did, that while the 5-year authorization was necessary for continuity in programming long-range development projects, it was equally necessary that Congress maintain a fiscal review. In this instance, the Republican minority insisted upon a constructive requirement in the foreign-aid program.

From my own Science and Astronautics Committee came a \$1.7 billion space exploration appropriation. While I favored the original Kennedy request for \$1.2 billion, I could not support the last minute request of \$500 million largely for a "crash" program to push the man-to-the-moon project. I felt this second request was wasteful of our scientific and fiscal resources.

To balance the vast armament expenditures, the Congress did move in a small way to implement the growing need for disarmament by approving the

establishment of a Disarmament Agency to advise the President on effective disarmament techniques, looking to the time when the Russians are prepared to sit down and make serious progress towards world disarmament.

The Congress appropriated some \$600 million to support President Kennedy's "Alliance for Progress" program for South American development. Also the successful Public Law 480 program for distributing surplus farm products to the needy of the world was extended indefinitely. Congressional approval was given to the President's Peace Corps and the Congress without dissent approved resolutions urging that the United States continue its firm opposition to U.S. diplomatic recognition of the Red Chinese Government or its admission to the United Nations.

On the homefront, New Hampshire residents will be interested in legislation to reimburse the State for claims paid by it for property damage suffered as a result of the 1957 Worcester, Mass., plane crash. Operated by a member of the New Hampshire National Guard, the plane was on a flight authorized by the Department of Defense. The State was reimbursed in the amount of \$65,049.93. Also receiving congressional approval during the past session, were funds for the Souhegan Valley watershed project in Hillsboro County, as well as planning funds for a new Federal building for Concord.

The President's early antirecession proposals were well supported by both parties and both Houses of Congress. Quickly passed were a 13-week \$1 billion extension of unemployment benefits with a companion \$300 million bill increasing benefits to dependent children of the unemployed. In the same "era of good feeling" a much needed increase in minimum social security benefits were approved.

More grudgingly approved by midsession were a \$4.9 billion housing bill, a \$400 million depressed areas program, and a minimum wage bill providing a gradual increase to \$1.25 per hour and extending coverage to an additional 3.5 million workers.

But as Congress continued its lengthy session, its resistance seemed to stiffen so that the final tally lists many Kennedy domestic proposals that had been postponed or defeated by adjournment time. Several factors were responsible for this—the ever present question of whether or not new or expanded welfare programs should be undertaken by the Federal Government with accompanying erosion of local responsibility; the problem of further big deficit spending in a period of prosperity on top of large deficits for both fiscal years 1961 and 1962; and the general feeling in Congress that our national resources should be directed more to countering Russian pressures in West Berlin and elsewhere around the world. These feelings were particularly strong in the more conservative House where many controversial domestic proposals of the Kennedy administration such as Federal aid to education, medical care for the aged under social security, and a

farm program that would bring all crops under Federal Control were defeated or left for next year's session.

Perhaps the most glaring lapse of the Kennedy administration on the domestic scene was budgetary. The small surplus predicted by President Eisenhower for 1961 was wiped out in weeks by the new administration with its supplemental requests. In place of a projected Eisenhower surplus of \$100 million, we finished up with a Kennedy deficit of over \$3 billion on June 30. And vast new spending by the Kennedy administration for fiscal 1962, which began this July, promises an even greater deficit which may go as high as \$10 billion. The unfortunate thing is that the new administration never matched spending requests with revenue requests.

We are told that an expanding economy will provide the necessary additional tax revenues to support the Kennedy program and that by late 1962 or early 1963 we will be "back in the black." But this method of stimulating tax revenue is highly inflationary and extremely difficult to control. Inflation-fed spending historically stays well ahead of revenues.

The failure of Congress and the administration to show restraint in spending and in its failure to pay for new programs will most surely be felt by us all in 1962. It will be most cruelly felt by people on lower and middle incomes, who are always hurt the most by a cheaper dollar and higher cost of living. This, I fear, is the bitterest domestic legacy of the first Kennedy Congress.

New Challenges in Transportation

EXTENSION OF REMARKS

OF

HON. JOHN MARSHALL BUTLER

OF MARYLAND

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. BUTLER. Mr. President, transportation has played a vital role in the development of the American economy since colonial times. It has made possible the common market which our 50 States enjoy.

Our effectiveness in meeting the challenge of the 1960's is dependent upon our ability to develop each form of transportation to its maximum capability. Our highways, railroads, maritime transport, and our airways each makes a distinctive contribution to our economy. Every effort must be made to permit the most effective integration of these services to best meet the needs of our country on a competitive basis.

The primary concern of government in connection with matters affecting transportation policy is to reduce the cost of goods and services for the consumers of America. A great step forward was accomplished in 1961 when the Interstate Commerce Commission approved the establishment of piggyback rates. This permits shippers to receive the benefits of both highway and

railroad services, utilizing each in the most efficient manner on a door-to-door basis.

Piggyback service is already available to many communities. Processors of fresh-killed poultry in Georgia formerly were not in a position to market their products in metropolitan New York because their transportation cost was considerably higher than that of their competitors closer to that area. Railroad piggyback trailers have now changed that situation.

One railroad executive in discussing the future of piggyback service said:

The potential is terrific. With proper pricing of our services, it should be most attractive to all railroads. We used to make statements to a customer, tell him what we could do. Now we ask him what he wants. And piggyback helps us to give it to him.

A further advantage of this service is that it will alleviate the boxcar shortage which has been a subject of great concern to many shippers. It will no longer be necessary to immobilize railroad-owned boxcars on sidings while they are being loaded and unloaded.

Mr. President, I have a great interest in the subject of transportation since Baltimore is one of the most important ports on our eastern shore. It is vital that cargoes destined for shipment from Baltimore or that comes to Baltimore are transported by land in the most efficient manner so that the useful radius of this great port may be extended as far as possible. Anything that contributes to lowering the cost of transportation will not displace workers but rather will increase job opportunities. Our economy has always expanded and required more employees to provide the goods and services constituting the American standard of living.

Piggyback transportation has already raised the problem of automation which has been of concern to many of my colleagues. On June 1, 1960, the Governor of New York, the Honorable Nelson A. Rockefeller, addressed a special Governors' conference on automation at Cooperstown, N.Y.

In his opening statement to representatives of labor, management, and government, he defined automation as follows:

Automation essentially is a complex of measures—organizational procedures, techniques and equipment—that combine to augment the output of a given worker in a given amount of time.

He then continued:

This has raised the specter of possible job displacement on a large scale. But, since automation requires very heavy capital expenditures, the cost of providing the equipment upon which it depends is likely to limit the speed and the extent of its adoption. In a stagnant, slow-growth economy, there would be room for genuine concern over the displacement of men by machines. I do not believe we need fear such a situation in any general national sense in the period ahead. However, I feel very strongly we must be sure that other opportunities are available to the individuals affected by automation.

We should welcome automation because our problem over the coming decade promises to be not one of creating enough jobs but one of creating enough production.

Recently, Premier Khrushchev, in his usual boastful manner, stated that the Soviet Union would surpass the economic output of the United States by 1970. This statement has been repeated on numerous occasions. In a speech commemorating the 40th anniversary of the formation of the Kazakhstan Republic, he admonished his listeners that the Soviet people should eat more horsemeat because it was cheap, nourishing, and after a while one grows to like it. Fortunately, we have not had to encourage our people to eat horsemeat in order to meet our defense commitments.

Half the Soviet labor force must devote their energies to agriculture in order to produce their food supply which would be most inadequate by American standards. Our economy provides more goods and services for all our citizens because only 7 percent of our labor force must expend their efforts on agriculture and related tasks.

While automation has usually been discussed in terms of industry, agriculture has shown the greatest increase in productivity of any sector of our economy. Expanding job opportunities, particularly in the service industries, has required the talents and skills of those people who previously would have been devoted merely to the task of feeding us. History shows that new developments are often resisted by those who lack the vision to see the expanded job opportunities that follow improved processes.

The Congress in the Transportation Act of 1958 endeavored to establish a transportation policy to better enable each form of transportation to serve the public on a competitive basis. It is apparent that during the next session of the Congress, an effort will be made to deny consumers the benefits of competition through the reestablishment of archaic standards of ratemaking by the Interstate Commerce Commission.

A bill, S. 1197, which would have this effect, is now pending before the Senate Commerce Committee. Pressures were exerted to report it during the closing days of this session, but the committee deferred further action on it until next year by a 9 to 3 vote. I am opposed to any measure which would deny consumers the benefits of improved technology developed under competitive conditions. Piggyback operations will be a principal factor to be considered by the Senate if this bill is reported next year.

I believe all of my colleagues will be interested in a presentation of the advantages of piggybacking by Mr. Clair M. Roddewig, president of the Association of Western Railways before the Pacific Northwest Farm Forum on February 14, 1961. Mr. President, I ask unanimous consent that Mr. Roddewig's address may be printed at this point in the RECORD:

NEW CHALLENGES IN TRANSPORTATION

(Address by Clair M. Roddewig, president of the Association of Western Railways, before the Pacific Northwest Farm Forum sponsored by the Spokane Chamber of Commerce, at Spokane, Wash., February 14, 1961)

Gentlemen, it's a pleasure to be with you today. I consider it a privilege to have been

invited to address you at this luncheon, and I am also looking forward to participating in this afternoon's panel discussion.

Indeed, we representatives of the western railroads are always happy to meet with leaders of the farming industry. It was the closeworking relationship between farmers and railroads which settled the West. And it will be continued cooperation between farmers and railroads, plus that of our expanding industry, which will keep the West progressive.

Certainly, it is at meetings such as this that matters of timely concern to the country should be weighed and considered. And certainly, it is important groups such as yours that must help to guide the thinking of others.

The subject of my address today is "New Challenges in Transportation." Of all the new challenges confronting the railroads and other common carriers, I think the most serious is that posed by the tremendous growth of unregulated and private transportation.

This unregulated transportation has risen sharply each year since the end of World War II. Today it accounts for two-thirds of all intercity truck business and nine-tenths of all inland waterway barge business. This continuing siphoning away of business from common carrier agencies of transportation represents a very real danger to the economic stability of railroads and common carrier truckers.

One of the fastest growing segments of the unregulated types of transportation is the transportation of agricultural commodities by for-hire motor carriers. These competitors of the railroads compete for the agricultural transportation business of the country without regard to published rates and without regard to many other forms of regulation. The railroads, however, must compete for the agricultural business under a very restrictive form of rate control and regulation.

It is the unfairness of this situation that has prompted the railroads to ask Congress either to impose regulation upon the transportation of agricultural commodities by motor vehicle or, in the alternative, to repeal the regulation that is applied to the railroads when they handle such business.

All the railroads seek is competitive equality.

This is but one of many problems which beset the railroad industry. Notwithstanding these problems and the handicaps they impose, railroad management has been hard at work finding ways to compete for the transportation business of the country.

For many years now, management has been emphasizing careful research into the needs of the shipping public. We're searching out the changes that are needed in equipment, service, schedules, and prices. And we're making these changes just as fast as available funds and the regulatory authorities permit.

In recent years, there has been one significant change in transportation law and policy that has given railroads greater flexibility in adjusting their prices to meet the challenge of this growing volume of business being handled by unregulated and private carriage. I'm referring to the important change that was made in the rule of ratemaking by the Transportation Act of 1958. No longer can the Interstate Commerce Commission require railroad rates to be held at unnecessarily high levels just to protect the business of the railroads' competitors.

Prior to the Transportation Act of 1958, the railroads had extreme difficulty in establishing competitive rates. But, as the result of the pricing flexibility gained in the 1958 act, railroads have been making many price adjustments.

One of the important new developments that has sprung from this new-found pricing freedom has been an explosive growth in

piggyback service. Competitive rates, coupled with piggyback service, have been attracting many old customers back to the use of railroad service.

Piggyback, of course, is the picturesque name that was originally applied to the transportation of truck trailers on railroad flatcars. This basic idea of transporting truck trailers and other containers on flatcars has expanded in a variety of ways, particularly in the last few years.

Today, the term is often used to include the transportation by railroad of freight shipments in truck trailers without chassis, and in vans without wheels; freight in metal containers of various sizes, some as long as trailers; and the shipment of new trucks and automobiles. As many as 12 large automobiles, or 15 compact cars, are now being shipped piggyback on trilevel flatcars.

Some 54 railroads now offer piggyback service as compared with 19 at the start of 1955. In 1954, 44,102 flatcars loaded with truck trailers were handled by the railroads. In 1955, piggyback loadings increased to 168,150, and kept on pyramiding each year until they reached 415,156 in 1959, and last year passed the half-million mark—totaling 554,212 carloads.

The contribution made by piggybacking to overall income needs of the railroads makes it possible to keep other freight rates at lower levels. And the profits made from piggybacking are helping to finance still other railroad improvements needed by farmers, ranchers, manufacturers, and all others who ship by rail.

Indeed, the producers of agricultural commodities and the raisers of livestock have a direct interest in this new type of railroad transportation. The past year has seen the piggybacking of agricultural commodities, including grain, fresh fruits and vegetables, together with livestock, take on sizable proportions.

It is my judgment that the transportation of agricultural commodities and livestock in piggyback service will be responsible for the next great forward movement in railroad business. That is, unless Mr. James Hoffa, general president of the Teamsters Union, has his way in a three-pronged campaign he has started to destroy piggyback service on the American railroads. Mr. Hoffa has declared war on all forms of piggyback service.

Also, it's a bit tricky to demonstrate why the job security of Mr. Hoffa's over-the-road teamsters is of more importance to the Nation than the job security of railroad workers.

Too, it takes some fairly artistic double-talk to justify Mr. Hoffa's indignation about the injustices to his teamsters who, for the past 30 years, have benefited from Government regulatory policies that have restrained the railroads from competing effectively with the booming cross-country trucking business, which has, in its turn, shrunk the job opportunities of thousands of railroad employees.

And it takes the burning of a lot of midnight oil to dream up any kind of an explanation as to how shippers are being injured by piggyback, when it is the shippers' acceptance and patronage of piggyback that has resulted in the explosive growth of this combination of truck and rail transportation in the last few years.

For example, the railroads are given a pat on the back for the improvements and the economies in the transportation of freight, which they have been able to effect through the development of piggyback—but a kick in the pants for sharing the resulting savings with the users of the new services, because it is attracting business and reducing the job opportunities for the over-the-road teamsters.

On a couple of points, however, there is no inconsistency in the Teamsters' propaganda. And that is when it comes to putting the finger on the railroads and the Inter-

state Commerce Commission, which they have costarred as the villains.

The ICC is portrayed as being under the thumb of the railroads. But in charging that the Commission is unduly disposed to favor the railroads, no attempt is made to explain why, if this were the case, the railroads' troubles have been steadily worsening during the last 30 years, while their competitors by air, water, and highway now account for the greater portion of the Nation's tremendously expanded freight and passenger business.

While looking to Congress to put a crimp in piggyback, Mr. Hoffa is again flexing his own quite considerable muscles.

In the earlier stages of modern piggyback, he forced intercity motor carriers to agree to restrict their use of piggyback. This strategy slowed down, but did not halt the development of this new means of transportation.

The story of piggyback is a fascinating one. Its beginnings reach back more than a century. Its history is still being made. Even today it is no more than a healthy infant.

It was less than 10 years ago that the various components necessary for the creation of this new and vital transportation service began to jell—and from that time on piggyback has been growing by leaps and bounds.

Today it holds the hopes of common carriers by both rail and highway for supplying services that will be more attractive to shippers, and thus minimize the advantages great numbers of them have been finding in operating their own transportation. This "do-it-yourself" or private transportation, as it is usually called, has been developing into an extremely serious threat to both the regulated railroads and the regulated motor carriers.

Piggyback holds also the hopes of the railroads for attracting the traffic they can handle most satisfactorily and economically. In the same measure, it holds the hopes of railroad workers for more job opportunities and greater job security.

The future for piggyback transportation is assured because it combines the advantages of both railroad and motor vehicle transportation into new services that meet the varying requirements of shippers.

Basically, piggyback is combining the economy, speed, and dependability of line-haul by railroad with the flexibility of the truck in loading at the doors of shippers, and delivering at the doors of those to whom the shipments are consigned, usually without any breaking up of loads or other handling between the points of origin and destination.

As the new services shake down into more definite patterns, and experiments with various types of equipment determine which are superior, there inevitably will be standardization along lines that will provide the most economical and satisfactory services.

As this goal looms closer, piggyback doubtless will become interchangeable between most if not all railroads, and will serve many more points than it does at its present stage of development.

Aside from the necessity of designing, building, and experimenting with new equipment, and new facilities for loading and unloading, along with the necessity of reducing line-haul costs and speeding up train schedules—matters which, generally speaking, are under the control of the railroads and railroad workers themselves—it also has been necessary to overcome another formidable barrier before piggyback service could be made attractive to shippers. This is the barrier made up of obsolete regulatory policies which are under the control of Congress and the Interstate Commerce Commission.

From its infancy, transportation by motor vehicle has been encouraged by the expenditure of billions of dollars on public

highways by the Federal and State Governments. This has relieved motor carriers from the necessity of making any capital investment whatever in the greater part of the facilities they require to perform their services.

Because their rights-of-way are publicly owned, they are not taxed as are railroad rights-of-way. Their users, consequently, are not required to pay any taxes on these rights-of-way for the support of education, police and fire protection, welfare and similar services of State and local governments, as must the railroads on their rights-of-way.

But in addition to these and other advantages enjoyed by highway transportation since its beginning, the new industry was protected from railroad competition by rigid regulatory restraints. So while railroads were held under the heavy thumb of regulation that was designed for different times and conditions, their competitors were encouraged to help themselves to all the business they could get—any that, naturally enough, was the most profitable business.

The railroad rate structure, too, had become untouchable. It had been developed during the years when the railroads were, for all practical purposes, the only form of surface transportation along lines that were designed to encourage settlement and production in the newly developing areas in the United States.

Bulky and heavy products of relatively low value were required to be carried to distant markets at rates that often did little more than repay the out-of-pocket costs of the railroads, while manufactured goods of greater value were brought into these areas at higher rates.

A rate structure built up along these lines over a long period of time, and all molded to conform with State and Federal regulations, laws, and court decisions, left the railroads as vulnerable as sitting ducks when highways were improved and motor trucks came upon the scene.

The motor carriers took over all of the high-rated manufactured products they could get, and left the railroads with the less profitable traffic.

The railroads were helpless, and even to this day they have not been completely successful in extricating themselves from some of these harassing heritages of the past.

Efforts to make the necessary adjustments to stem the loss of the more profitable traffic were generally frustrated by the Interstate Commerce Commission, which construed or misconstrued the law—depending on one's point of view—as requiring the Commission to shelter the motor carriers from the competitive rates which the railroads sought repeatedly but futilely to establish.

However, it is important to bear in mind that not all of the traffic the railroads lost to the motor carriers was the result of regulatory restraints. There were other factors, and one of the most important of these was, of course, the service advantages which truck transportation made available to shippers—advantages which are now incorporated in the new piggyback services.

The overall result of the regulatory policies that tied the railroads' hands in competing with the newer form of transportation, together with the other considerations mentioned, has been a precipitous decline since 1930 in the portion of the Nation's freight business handled by the railroads. In 1930 they moved 74 percent of all intercity freight, calculated by ton-miles. In 1960 they transported only 45 percent of the intercity business.

By the early fifties the railroads' financial situation, which had been worsening since the early thirties, began to cause really grave concern. This prompted a series of exhaustive studies by Congress and various Government agencies, and these were the

forerunners of the Transportation Act of 1958.

One of the most important provisions of the 1958 act was its clarification of the rate-making provision of the existing law.

The amendment provided that: "In a proceeding involving competition between carriers of different modes of transportation subject to this Act, the Commission, in determining whether a rate is lower than a reasonable maximum rate, shall consider the facts and circumstances attending the movement of the traffic by the carrier or carriers to which the rate is applicable. Rates of a carrier shall not be held to a particular level to protect the traffic of any other mode of transportation, giving due consideration to the objectives of the national transportation policy declared in this Act."

While the Interstate Commerce Commission has been slow in establishing precedents based on the 1958 act, and some of its decisions will have to be passed on by the courts, nevertheless, the shackles on the railroads have been loosened considerably.

The railroads are now exercising their recently established right to compete, as Congress clearly expected them to do. They are trying to bring about an orderly adjustment of the rate structure more nearly to reflect transportation costs, rather than leave the rate structure rigidly tied to philosophies which have been unrealistic for many years.

The railroads are cooperating with shippers in developing means of providing more satisfactory transportation services, and means of reducing transportation costs. They are sharing the resulting savings with the shippers.

All of this is producing more business for the railroads. And in no area of transportation have the results been more spectacular than in the explosive growth of piggyback.

These, then, are the happenings that have led to the Teamsters taking the warpath against the railroads and the Interstate Commerce Commission.

The Commission, Mr. Hoffa declares in a letter addressed to his members, "has openly and completely favored the railroads instead of the trucking field, thereby rendering direct harm to the jobs of the Teamster drivers." The implication here that the Commission is somehow obligated to favor the trucking field is interesting, if not convincing.

Mr. Hoffa then goes on to explain that: "When piggyback operations began in earnest several years ago many persons questioned its usefulness However, the striking phenomenon of the current piggyback boom, which makes it entirely different from earlier piggyback attempts, is its overwhelming growth Today, following a series of favorable ICC decisions, piggyback is attaining almost fantastic proportions."

Mr. Hoffa finds it convenient to avoid any mention of the effect of the Transportation Act of 1958 may have had on the Commission's decisions. The only apparent explanation for this rather conspicuous omission is that he feels that the fiction of a strictly railroad-ICC conspiracy will best serve his purposes.

"The chief danger of piggyback," Mr. Hoffa continues, "is that scores of Teamsters are already losing their jobs," which is, understandably enough, more important to Mr. Hoffa than the fact that the people who are paying the freight bills of the country are the ones who are making possible what he calls "the fantastic and soaring growth of piggyback."

"Piggyback and the question of containerization are not local problems," Mr. Hoffa emphasizes. "They are national in scope. Every teamster should make it his duty to contact his Senator, his Congressman, and State or local governmental officials and inform them about the economic dangers of piggyback. We ourselves will do everything

possible to get national action on this problem."

Teamsters also are being urged to write to the members of the House and Senate Committees on Interstate and Foreign Commerce.

Needless to say, railroad employees are not going to sit on their hands while Mr. Hoffa is at work. They, too, are writing to their Senators and to their Congressmen.

Gentlemen, the Teamsters Union must not be permitted to hog-tie piggyback service.

I'm confident that neither the Nation's lawmakers nor the Interstate Commerce Commission will allow themselves to be pressured into serving the Teamsters' selfish interests. The public interest is paramount.

Legislation that would halt the fairly priced piggyback service the railroads are giving to thousands of satisfied shippers would be an economic tragedy.

Piggyback service represents transportation progress, and transportation progress is essential to the continued growth of our Nation.

New ideas, new methods, innovations of all kinds that are designed to improve on ways of distributing the Nation's products should be encouraged—not hampered.

Farm interests, ranch interests, mining interests, manufacturing interests—indeed, all shippers—have a vital interest in progressive transportation. All are dependent upon the continuation of healthy common carrier transport.

The public still needs the railroads' "anything, anywhere, anytime" type of service.

With the "right to compete" securely established in the business of transportation—as it exists in every other phase of the American economy—the country can look forward to an ever-increasing quality of railroad service at the lowest possible cost.

Summary of the Record and Accomplishments of the Committee on Ways and Means During the 1st Session of the 87th Congress

EXTENSION OF REMARKS OF

HON. WILBUR D. MILLS

OF ARKANSAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. MILLS. Mr. Speaker, in accordance with the usual custom of the chairman of the Committee on Ways and Means, I am pleased to take this opportunity to summarize the record of activity of the Committee on Ways and Means during the 1st session of the 87th Congress.

At the outset, however, I would like to express publicly to the members of the Committee on Ways and Means my sincere appreciation for their devotion to duty and for the conscientious and diligent manner in which they have carried out their responsibilities as legislators and as members of the Committee on Ways and Means. Members of the committee have been most assiduous in applying themselves to the business of the committee and in pursuit to their duties. Obviously, members of the committee have not always agreed on all of the measures which have been reported by the committee, just as I have not agreed with each and every such pro-

posals, but this is the way the committee system operates and the results of our work during this session I am confident will stand the test of time.

As I have pointed out on past occasions in discussing the work of the Committee on Ways and Means, it is clear that the nature of legislation falling within the jurisdiction of the committee is of quite vital importance to each and every American citizen and to our Nation as a whole and it is, therefore, necessary that the members of the Committee on Ways and Means must always proceed with great caution and with the utmost prudence and care in carrying out our legislative functions. It is for this reason, among others, that the committee during this session of the Con-

gress has conducted public hearings on a wide variety of subjects in order to receive extensive and detailed reaction from the general public as to proposals which have been referred to the committee. In fact, the committee has conducted public hearings on 8 major legislative proposals in addition to executive hearings conducted on certain other major and minor proposals. During the course of this session, the committee has held a total of 52 days of public hearings—exclusive of executive sessions—and has directly received testimony, comments and recommendations from a total of over 550 individuals in the course of these hearings. Table 1, which follows, shows the subject and the details of these hearings:

TABLE 1.—Hearings held by Committee on Ways and Means, 87th Cong., 1st sess.

Subject and bill number	Dates held	Number of witnesses
Temporary Unemployment Compensation and Aid to Dependent Children of Unemployed Parents (H.R. 3864 and H.R. 3865). (Printed, 1 part.)	Feb. 15, 16, and 17, 1961 (3 days)	31
Federal-Aid Highway Financing. (Printed, 1 part.)	Mar. 14, 15, 16, 17, 20, and 21, 1961 (6 days)	93
Social Security Amendments of 1961. Executive hearings. (H.R. 4571.) (Printed, 1 part.)	Mar. 9, 13, 22, 24, and 27, 1961 (5 days)	5
President's 1961 Tax Recommendations. (Printed, 4 parts.)	May 3, 4, 5, 8, 9, 10, 11, 12, 15, 16, 17, 18, 19, 22, 23, 24, 25, 26, and 31; June 5, 6, 7, 8, and 9, 1961 (24 days)	217
Temporary Increase in Debt Ceiling. Executive hearing. (Printed, 1 part.)	June 15, 1961 (1 day)	2
Hospital Services for the Aged Under Social Security (H.R. 4222).	July 24, 26, 27, 28, and 31; Aug. 1, 2, 3, and 4, 1961	140
Tariff Treatment of Shrimp Imports (H.R. 6168)	Aug. 8, 1961	22
Taxation of Mutual Savings and Loan Associations (H.R. 2899 and H.R. 2900).	Aug. 9 and 10, 1961	26
Taxation of Exchanges and Distributions Pursuant to Antitrust Decrees (H.R. 8868, H.R. 8190, H.R. 7349, H.R. 7496, H.R. 7348, H.R. 1123).	Aug. 24, 1961	13

During the course of this session, there was referred to the committee a total of 1,585 bills and resolutions, in addition to 31 executive communications. Moreover, 10 messages of the President of the United States were on subjects within the jurisdiction of the committee. Of the total of 1,585 such bills and resolutions, there were 897 tax bills, 280 tariff bills, 366 social security bills, in addition to 42 bills of a miscellaneous character falling within the committee's jurisdiction. This represents, as has been about the usual average in the past, just under one-fourth of all the public bills and resolutions introduced in the House of Representatives.

During the first session of this Congress, the committee favorably reported to the House of Representatives a total of 44 bills, which total breaks down as follows: 20 tax bills, 15 tariff bills, 4 social security bills, and 5 miscellaneous-

type bills. It should be noted in this connection that quite often the committee reports omnibus legislation which, statistically, appears as one bill but which in fact may combine the provisions of a large number of individual bills which were pending before the committee.

For the further information of the Members, I shall insert at this point table 2, which shows a breakdown of the measures referred to the committee, followed by table 3, which sets forth statistics on the status of bills reported by the committee during this Congress:

TABLE 2.—Bills and resolutions referred to the Committee on Ways and Means, 87th Cong., 1st sess., by category

Tax	897
Tariff	280
Social security	366
Miscellaneous	42
Total	1,585

TABLE 3.—Statistics on status of bills reported by the Committee on Ways and Means, 87th Cong., 1st sess.

	Tax	Tariff	Social security	Miscellaneous	Total
Bills reported to House	20	15	4	5	44
Bills passed House	16	10	3	5	34
Bills reported to Senate	12	5	3	5	25
Bills passed Senate	9	5	3	5	22
Bills enacted into law	8	5	3	5	21

Before reviewing in some detail the legislation which was favorably reported by the committee during this first session, at this point I will present certain

additional statistics on the committee activity which might be of interest.

From early January of this year until the adjournment of the first session, the full Committee on Ways and Means met in executive session 83 times. As I heretofore mentioned, the committee met 52 days in the conduct of public hearings and it is estimated that it will require approximately 13 volumes covering over 8,100 pages of testimony for the printing of these hearings when all are published. In addition to the oral testimony and written statements of those who appeared in person before the committee at the hearings, hundred of statements and expressions of views are printed in the hearings and were given careful consideration by the committee.

In terms of substantive subjects, the committee reported and there was enacted into law both major and minor legislation in a number of areas of the committee's jurisdiction. This included the substance of certain legislation which was recommended by the President as part of his program, in addition to other measures initiated by the committee.

Among the major legislative enactments which became law were the following: the Social Security Amendments of 1961; the Federal Aid Highway Revenue Act of 1961; a temporary major amendment to the aid to dependent children program; and the enactment of the temporary unemployment compensation program.

It should also be pointed out that the committee spent a considerable portion of its time giving consideration to the recommendations made by President Kennedy in his tax message of April 20, 1961. The committee conducted 24 days of public hearings, receiving oral testimony from 217 witnesses, and 25 days in executive sessions on this subject. Certain tentative decisions were made for the purpose of having statutory language drafted and have been embodied in a discussion draft, which has been made available to the public for comment and recommendations. It should be pointed out that no part of this draft has yet been approved by the committee. A summary of the major provisions of this discussion draft is presented immediately following the summary of those bills which were reported by the Committee on Ways and Means.

Mr. Speaker, for the information of the Members, there is presented here a brief summary and digest of the bills reported from the Committee on Ways and Means during the 1st session of the 87th Congress, including a statement of the stage in the legislative process reached by each bill.

TAX LEGISLATION

H.R. 10, by Mr. KEOGH; reported in Senate September 13, 1961: As reported to the House by the Committee on Ways and Means, this bill is designed to encourage the establishment of voluntary retirement plans by self-employed individuals by extending to such plans, and to self-employed individuals covered thereunder, many of the favorable tax benefits present law now provides in the case of qualified retirement plans established by employers for their employees.

For retirement plan purposes, self-employed persons would be treated as the employees of themselves and permitted to deduct, within specified limits, contributions made to pension or profit-sharing plans for the benefit of themselves and such other of their employees as would be covered. They would not be taxed on such contributions, or the income thereon, until they receive the funds upon retirement, or otherwise.

In reporting the bill to the Senate, it having passed the House on a motion to suspend the rules, the Finance Committee amended the House bill substantially, retaining, however, the fundamental concept of the House bill.

H.R. 221, by Mr. HARRISON of Virginia; passed House September 19, 1961: This bill, which was reported unanimously by the Committee on Ways and Means and passed the House by voice vote, relates to the imposition of the manufacturer's excise tax on tires and inner tubes. Under present law, the tax is imposed at the time the tires or inner tubes are sold by the manufacturer, producer, or importer. In the case of manufacturers maintaining their own retail stores or retail outlets, this means that no tax is imposed until the manufacturer makes a sale at retail, that is, to the consumer. Thus the retail inventory of the manufacturer maintaining retail outlets enjoys a tax-free status, whereas the independent tire dealer, because the sale to him by the manufacturer, producer, or importer occurred prior to his acquisition of the tires and tubes, can have only taxpaid inventory. The Committee on Ways and Means was advised that independent tire dealers may have as much as 15 percent of their inventory investment tied up in these taxes, while their competitors, the manufacturers with their own retail outlets, need make no such investment.

This legislation would remove the competitive discrimination against independent tire dealers resulting from this situation by providing for the imposition of the tire or inner tube tax at the time the tire or inner tube is delivered to a retail store or retail outlet of the manufacturer, producer, or importer.

H.R. 929, by Mr. BYRNES of Wisconsin; Public Law 87-109, signed July 26, 1961: The purpose of this legislation was to conform income tax accounting to more accurately reflect generally accepted accounting principles in the case of prepaid income arising from membership dues. The bill, which became public law as reported by the Committee on Ways and Means, provided that prepaid membership dues income of membership organizations may, at the election of the taxpayer, for tax purposes be spread over the period during which there is a liability on the part of the organizations to provide the service, rather than reported in the earlier year in which the income is received. The liability involved must extend beyond the current year but may not extend for more than 36 months. The provision applies only to membership organizations having no capital stock and making no distributions of net earnings to members, and is

effective for taxable years beginning with the calendar year 1961.

H.R. 1877, by Mr. O'NEILL; Public Law 87-59, signed June 27, 1961: As reported to the House by the Committee on Ways and Means, this bill provided that the Plumbers Union Local No. 12 pension fund, Boston, Mass., be considered a qualified and exempt trust from the time of its establishment in 1954 to June 3, 1959, but only if it is shown to the satisfaction of the Secretary of the Treasury or his delegate that the trust was not operated in this period in a manner which would jeopardize the interests of its beneficiaries. The Senate passed the bill with several amendments, which while not changing the provisions of the House bill, added provisions; first, extending for 2 years the period within which certain stock life insurance companies may make deductible distributions to shareholders in pursuance of a plan of mutualization adopted prior to January 1, 1958; second, reducing the tariff in the case of hair of animals, like the cashmere goat; and third, relating to the effective date of the qualification as a qualified trust of the pension fund of the slate, tile, and roofing industry in New York City. The House accepted the amendments of the Senate, and the bill became law in this form.

H.R. 2016, by Mr. GREEN, of Pennsylvania; reported to House September 2, 1961: As reported by the Committee on Ways and Means, this bill provides that, effective July 1, 1962, States and political subdivisions which operate retail liquor stores are to be required to pay only one special occupational tax imposed on retail liquor dealers under section 5123(b) of the Internal Revenue Code of 1954, each year, regardless of the number of locations at which the liquor is sold within the State or political subdivision.

H.R. 2017, by Mr. GREEN of Pennsylvania; reported to House May 9, 1961: This bill would amend the provisions of present law permitting the Federal Government upon request to enter into an agreement to withhold State or territorial tax from compensation paid Federal employees who are employed in the State or territory so as to also provide for withholding of city taxes by the Federal Government, with respect to its employees who are employed in a city with such a tax, if the city has a population of 60,000 or more. The restrictions of existing law applicable to State withholding taxes, designed to limit the administrative burdens of the withholding by the Federal Government and to prevent hardship and discrimination in the case of the Federal employees involved, would also apply to the city withholding taxes, under the bill. Enactment of this legislation is favored by the Treasury Department.

H.R. 2244, by Mr. HERLONG; reported in Senate July 20, 1961: This bill amends the provisions of present law relating to the deduction, for income tax purposes, of charitable contributions. Under existing law, the 20-percent maximum limitation generally applicable in the case of individuals is increased to 30 percent if the contributions to which the additional 10 percent relates go directly to churches, operating schools, or hos-

pitals—or medical research organizations carrying on research in conjunction with a hospital. As unanimously reported to the House by the Committee on Ways and Means, this bill provided that the additional 10-percent deduction would also be available in the case of contributions to a foundation, and so forth, if the foundation, and so forth, is organized and operated exclusively for the purpose of turning over each year to one or more of these specified categories of institutions its entire net earnings and if any portion of its principal it may distribute may go only to one of these categories of organizations, to be effective with respect to taxable years beginning after December 31, 1961. The bill passed the House by voice vote; in reporting the bill to the Senate, the Finance Committee amended the House provision to also make the 10-percent deduction available in the case of contributions to a university endowment association, this provision to be effective with respect to taxable years beginning after December 31, 1960. At adjournment, the bill was pending in the Senate.

H.R. 2585, by Mr. Urr; Public Law 87-321, signed September 26, 1961: This legislation was designed to prevent the imposition of a double tax in the case of the Federal and State unemployment taxes resulting from a technical deficiency in the Federal tax laws arising from a variation in the definition of "employer" between the Federal and State laws. Under the law prior to enactment of this legislation, the predecessor employer, where a trade or business changed hands within the first 20 weeks of the year, was not treated as an "employer" for purposes of the Federal unemployment tax, but generally was so considered for most State unemployment compensation taxes. As a result, the first employer usually had to pay the State tax in such cases, and then the second employer had to pay the full Federal tax but could not obtain the credit usually available for the State tax paid by the first. This bill corrected the faulty operation of the Federal laws in this situation by making the usual credit available in such cases.

The bill was amended by the Senate in two respects, the first dealing with the effective date of the House bill—to make its application prospective only—and the second adding a provision relating to the percentage depletion deduction in the case of clay and quartzite used in making refractory products. The House accepted the Senate amendments to the bill, and the President approved it in this form.

H.R. 5189, by Mr. Mills; Public Law 87-29, signed May 4, 1961: This legislation, which was enacted at the request of the President as one of various desirable steps intended to improve this country's ability to defend its gold reserves, provided an exemption from tax for income derived by a foreign central bank of issue from U.S. Government obligations, but only if the obligations are not held for, or used in connection with, commercial banking functions or other commercial activities. The exemption

is effective with respect to income received in taxable years beginning after 1960, and is expected to have a negligible effect of revenues.

The Senate added to the House bill a provision extending to May 15, 1961, the period in which the spouse of a shareholder in a small business corporation may consent to an election not to be taxed as a corporation, in certain circumstances. The House agreed to the Senate amendment, and the bill became law as thus amended.

H.R. 6352, by Mr. Boggs; reported to House May 16, 1961: This bill, which was reported unanimously by the Committee on Ways and Means to the House, amends the provisions of the income tax laws which provide an unlimited charitable contribution deduction where in the last 10 years the charitable contributions and income taxes paid by an individual equal 90 percent of his taxable income—with certain modifications—in each of 8 years. The bill provides that this 90-percent test will be considered as satisfied for each of 2 consecutive years where the test is met on the basis of the average of contributions, taxes, and income in the 2-year period. However, the charitable contributions and taxes in each of these 2 years must represent at least 75 percent of the income of that year and no more than two sets of consecutive years may be averaged in this manner, under the bill. It is also provided that the 2-year averaging provision is to be available only where the charitable contributions taken into account are those going to churches, operating schools and colleges, hospitals and related medical research organizations, and certain other educational, charitable, or religious organizations. The amendment would be effective with respect to deductions allowable for taxable years beginning after December 31, 1960.

H.R. 6371, by Mr. Mills; passed House August 23, 1961: This legislation amends the provisions of present law relating to the retirement income tax credit. The retirement income credit was designed to give those who have retirement income, but who do not receive tax-exempt social security or similar types of tax-exempt benefit payments, a tax exemption of approximately the same size as that received by social security beneficiaries. A discrimination has arisen gradually, however, as changes have been made in the social security laws over the past several years without corresponding changes in the retirement income credit provisions of the income tax laws, so that the retirement income credit no longer provides equal tax treatment for those who may be retired under Government or private pension systems or may make provision through investment income for their own retirement.

This bill would again equalize the retirement income credit with the social security program by raising the maximum amount of income which can qualify for the credit to \$1,524 a year, amending the earned income limitation to correspond with the amended provisions of the social security laws, and lowering, in certain cases, the age limit for qualification for the credit.

The bill as amended was reported unanimously by the Committee on Ways and Means to the House.

H.R. 6413, by Mr. King of California; passed House May 10, 1961: As unanimously reported to the House by the Committee on Ways and Means, this bill would provide that, for purposes of the estimated income tax, fishermen are to be accorded the same treatment as presently is available for farmers, effective for taxable years beginning after December 31, 1961.

Under present law, taxpayers having income from farming have the privilege of filing the declaration of estimated tax, and paying the estimated tax, by January 15 after the end of the year in question—for calendar-year taxpayers—and this bill would extend this advantage to those having income from fishing.

H.R. 6713—title II—by Mr. Fallon: Public Law 87-61, signed June 29, 1961: The Committee on Ways and Means transmitted to the Committee on Public Works language for inclusion as title II to H.R. 6713, the Federal-Aid Highway Act of 1961, containing highway financing provisions making it possible for the greatly expanded program of Federal aid for interstate highways to be completed within the time originally contemplated, and without the necessity for a stretchout of the program. These revenue provisions will bring into the highway trust fund an additional \$9.8 billion in revenues over the life of the program, in addition to transferring back to the general fund \$2.4 billion in revenues attributable to passenger car and automobile part taxes. Under the legislation, it will be possible for the construction program to be completed in 1972.

The legislation, as agreed to by the conferees and accepted by both the House and Senate, provided for, first, continuation of the taxes on gasoline, special motor fuels, and diesel fuel at the existing rate of 4 cents a gallon; second, increase in the taxes on tires for highway-type vehicles and innertubes to 10 cents a pound, and on tread rubber to 5 cents a pound; third, increase in the tax on highway vehicles weighing over 26,000 pounds to \$3 per 1,000 pounds; fourth, dedication of 5 additional percentage points of the manufacturers' tax on trucks, buses, and trailers to the highway trust fund, received after June 30, 1962; fifth, continuation of the highway trust fund for an additional 3 months, to October 1, 1972, with all taxes now dedicated to the fund continued as highway trust fund revenues at these tax rate levels for the additional 3 months; sixth, repeal of the provision of previous law for diversion of 5 percentage points of the manufacturers' taxes on passenger cars, et cetera, and on automobile parts and accessories to the highway trust fund; and, seventh, provision for payment of the use tax on highway motor vehicles weighing over 26,000 pounds on a quarterly basis and for the exemption of gasoline from tax where it is sold for nonfuel purposes in the manufacture of another article. In connection with the deletion from the bill, in conference, of a Senate amend-

ment relating to compensation of retail dealers of gasoline for tax paid on gasoline lost by shrinkage, evaporation, et cetera, the Treasury Department was requested to conduct a scientific study on this subject and to report the results of the study to the Committee on Ways and Means and the Committee on Finance before January 1, 1962.

H.R. 7057, by Mr. IKARD; Public Law 87-312, signed September 26, 1961: As unanimously reported to the House, this bill provided in the case of brick and tile clay and certain other clays that insofar as the holding in the Cannelton Sewer Pipe case departs from the principles previously enunciated in the Cherokee Brick & Tile Co. and Merry Bros. Brick & Tile Co. cases, it is not to be applied retroactively for years beginning before the Supreme Court granted certiorari in the Cannelton case on December 14, 1959. Thus in the case of brick and tile clay and any other clay or shale where the finished product is the first commercially marketable product, percentage depletion for these past years to the extent they are open will be based upon the value of the finished or end product.

An amendment of the Senate providing that for the purpose of computing the percentage depletion deduction with respect to these minerals "gross income from the property" would be 50 percent of the gross income from the finished product but not to exceed \$12.50 for each ton of clay or shale used in the finished product was agreed to by the House, and with this amendment the bill became public law.

H.R. 7446, by Mr. MILLS; Public Law 87-72, signed June 30, 1961: This legislation, which was enacted into law without amendment, continued for 1 year, until July 1, 1962, certain existing tax rates, including the 52-percent corporate income tax rate and the present rates of excise tax on distilled spirits, beer, wine, cigarettes, passenger cars, automobile parts and accessories, and on general—local—telephone service and the transportation of persons. The extension of these tax rates for 1 more year was recommended by the President in his message on taxation, in which he said:

Our present revenue requirements make such extension absolutely necessary again this year. . . . We cannot afford the loss of these revenues at this time.

H.R. 7859, by Mr. KEOGH; passed House September 19, 1961: This bill amends section 814 of the Internal Revenue Code of 1939—providing an election to take a credit against estate tax for estate taxes paid on certain prior transfers—to make it applicable to estates of decedents dying after December 31, 1949—instead of December 31, 1951—to make the credit against estate tax available where the death of the first spouse to die occurred within the 3 years prior to that of the decedent in question but after December 31, 1947—instead of within 2 years of the decedent—and by providing that, where the deaths of the husband and wife occurred more than 2 years apart, the credit for prior estate taxes is to be 80 percent instead of 100 percent.

H.R. 8652, by Mr. KING of California; vetoed by President October 4, 1961: This bill provided that in the case of a net operating loss sustained in the years 1953 or 1954, principally as a result of the conversion from street railway to bus operations, this loss, to the extent not offset against income in years before 1960, will be available in the year 1960 and 4 subsequent years as a net operating loss carryforward. The bill was designed to alleviate the unusual hardship existing in the case of the Twin Cities Rapid Transit Co., Minneapolis, Minn. While most transit companies have spread their conversion to buses over many years, affording a sufficient period to absorb the loss against income—present law providing a 3-year carryback and 5-year carryforward for business losses—this company completed its conversion in an 18-month period, while under the management of officers subsequently found guilty of conspiracy to defraud the company, who intentionally disregarded the income tax consequences involved. At the end of the 5-year carryforward period provided under existing law, there remained a \$5,200,000 unused loss.

The President vetoed the bill, expressing the view that it would be unfair to shift the burden of losses resulting from the fraudulent conduct of the management of the company to the country as a whole, and that approval of the bill would be inconsistent with orderly tax administration.

H.R. 8847, by Mr. BOGGS; reported in Senate September 21, 1961: This bill relates to the income tax treatment to be afforded the recipients of stock distributed in pursuance of a court order enforcing the antitrust laws. In general, the bill provides that such distributions shall not be treated as a dividend distribution but shall be treated as a return of capital, and that the amount of such a distribution made to a corporation shall be the fair market value of the distribution. As reported by the Committee on Ways and Means to the House, the bill would have had general application to such cases involving antitrust distributions; however, at the request of the administration, committee amendments were adopted in the House at the time of passage of the bill which have the effect of limiting its application to distributions in the Du Pont antitrust case, as well as providing that in order for the provisions to apply the order pursuant to which the distribution is made shall require the divestiture of stock to be completed within 3 years or less from the date the order becomes final.

The bill was reported by the Finance Committee without amendment, and at adjournment of the first session was pending in the Senate.

H.R. 8876, by Mr. MILLS; Public Law 87-397, signed October 5, 1961: This bill, which became law without amendment, was designed to improve enforcement and collection of internal revenue taxes. The taxpayer account number system provided for in the bill will make possible a greatly expanded use of automatic data-processing—AUP—equipment by the Internal Revenue Service and will

enable the Service to match information returns now filed with tax returns. Taxpayer account numbers are basic to a satisfactory identification system for ADP equipment, through the use of which the Service hopes to develop a single file which would contain, in one place, information relative to all of the tax transactions involving a taxpayer, thus making possible the reaching of objectives in enforcement and collection of the taxes that could only be partially achieved in the absence of this legislation.

The bill provides that persons required to file tax returns may be required to record their account numbers on their tax returns, and persons filing information returns—such as those relating to dividends or interest—are to include the account numbers of persons with respect to whom information is supplied—such persons to supply their numbers to the persons required to file the information returns.

The committee has requested the Internal Revenue Service to work out a system involving the least possible burden to taxpayers in obtaining account numbers, and the Service has indicated that it intends to use social security numbers as the account numbers in order to minimize the number of persons having to be assigned new numbers.

Enactment of this legislation, which was unanimously reported by the Committee on Ways and Means, was recommended by the administration.

H.R. 8952, by Mr. BURKE of Massachusetts; reported to House September 23, 1961: This bill relates to the conditions under which the special constructive sale price rule is to apply for purposes of certain manufacturers' excise taxes. The Excise Tax Technical Changes Act of 1958 provided that in determining the base for the computation of manufacturers' excise taxes, a constructive sales price could be used where sales were made to retailers or to consumers if sales were also made at the wholesale level. However, this provision applies only if the normal method of sales within the industry is not to sell articles at retail, to retailers, or to both. This bill provides that the latter restriction will not apply in the case of manufacturers' excise taxes on refrigerators and related items, on electric, gas, and oil appliances, and on radios and television sets and related items.

As unanimously reported by the Committee on Ways and Means, the provision would apply with respect to articles sold on or after January 1, 1962, with the understanding that this is not, however, intended to imply that this constructive sale price rule was not applicable to sales of articles covered by the bill prior to that date.

SOCIAL SECURITY LEGISLATION (INCLUDING BILLS AMENDING UNEMPLOYMENT COMPENSATION AND PUBLIC ASSISTANCE TITLES)

H.R. 4806, by Mr. MILLS; Public Law 87-6, signed March 24, 1961: This legislation, the Temporary Extended Unemployment Compensation Act of 1961, provided a temporary program of first, extended unemployment compensation to persons who have exhausted their un-

employment compensation under State and Federal unemployment laws, and second, reimbursement to certain States in meeting their cost of long-term unemployment compensation. Enacted as part of the administration's program to help offset the effects of the then current recession on unemployed workers and on the Nation's economy, the bill provided extended benefits for up to 13 weeks of total unemployment to workers who had exhausted their rights under State programs and under Federal unemployment compensation programs for ex-servicemen and Federal employees. Payments can be made to unemployed persons who have exhausted their benefit rights under State programs after June 30, 1960, and before April 1, 1962, for weeks of unemployment starting before July 1, 1962. The bill also provides that, to the extent a State pays unemployment compensation for more than 26 weeks of total unemployment in the benefit year, the State will be reimbursed for the number of weeks it pays in excess of 26, up to a maximum of 13 additional weeks, this number to be subtracted from the potential extended benefit payments under the bill to the individual. The cost of the program is financed by advances from the Treasury to be repaid by a temporary increase in the net Federal unemployment tax of 0.4 percent on the existing wage base of \$3,000, for calendar years 1962 and 1963.

Under the conference agreement on the bill, an amendment was adopted relating to reduction in TEUC payments in certain cases of retirement pensions and annuities, as well as a provision increasing the ceiling for certain administrative expenses authorized under section 901(c) (1) (A) of the Social Security Act to \$385 million for fiscal year 1961 and \$415 million for fiscal year 1962; the conferees also accepted the Senate amendment directing the Secretary of Labor to collect certain information related to administering the TEUC program.

H.R. 4884, by Mr. MILLS; Public Law 87-31, signed May 8, 1961: This legislation added a new section to title IV of the Social Security Act to make available, during the period beginning May 1, 1961, and ending June 30, 1962, Federal grants to States wishing to extend their aid-to-dependent-children programs to include needy children—and relatives caring for them—of unemployed parents, on the same basis as Federal grants are available to needy children—and relatives caring for them—who have been deprived of parental support by the death, absence, or incapacity of a parent. The bill included provisions designed to facilitate the employment of unemployed parents, or the retraining of such parents, if appropriate, and provisions to assure that aid is not provided when the parent has refused employment that it would be reasonable for him to accept. All existing provisions of the aid-to-dependent-children program apply to the temporary expanded program, including, of course, the Federal-State matching formula. The legislation was recommended by the President as a part of his broad pro-

gram to combat the then existing recession and to relieve resulting hardships.

Under the conference agreement on the bill, certain amendments of the Senate were accepted and/or modified and incorporated in the bill. These included provisions relating to the denial of aid under the program where the unemployed parent is receiving unemployment compensation; extending Federal matching funds under the plan to children placed in foster homes in certain circumstances; extending for 1 year, to June 30, 1963, the authorization for appropriation of sums for training grants for public welfare and increasing the Federal share to 100 percent; relating to the denial of aid, under a State plan, because of the conditions in the home in which the child resides and providing a period for further study of this problem; raising the overall ceiling on grants which may be made to Puerto Rico, the Virgin Islands, and Guam, to take into account the increased grants which would be made under the bill; and relating to the reimbursement of States for salaries and other expenses of the States' employees temporarily assigned to duty with the Department of Labor. Also included was a provision increasing from \$12 to \$15 the maximum medical care expenditures in behalf of old-age assistance recipients with respect to which there will be Federal participation.

H.R. 6027, by Mr. MILLS; Public Law 87-64, signed June 30, 1961: This legislation, the social security amendments of 1961, provided desirable and sound long-run improvements in our social insurance system, designed to make the old-age, survivors, and disability insurance program more flexible and effective in carrying out its basic purpose. With its enactment, additional purchasing power will be placed in the hands of people who very much need it, benefiting about 4,420,000 people within the first 12 months through new or increased benefits amounting to \$780 million. The changes made, which were in general along the lines recommended by the President, are fully financed, consistent with policies established by the Congress in the past, and the program will thus continue to be self-supporting and on a sound actuarial basis.

The major provision of the legislation can be summarized as follows:

First. An increase from \$33 to \$40 in the minimum monthly retirement benefit payable to persons retiring at or after age 65 and in the minimum monthly disability benefit, with proportionate increases in the minimum benefits payable to dependents and survivors.

Second. Provision for payment of retirement benefits to men beginning at age 62—at their option—with the benefits payable to men claiming benefits before age 65 reduced to take account of the longer period over which the benefits will be paid.

Third. Liberalization of the insured status requirements, so that a worker will be fully insured if he has one quarter of coverage for every year elapsing after 1950—or after the year in which he attained age 21, if later—and up to

the year of disability, death, or attainment of age 65 for men—62 for women. Previous law required one quarter of coverage for every three such elapsed quarters.

Fourth. An increase in aged widow's, widowers', and parents' benefits from 75 to 82½ percent of the workers' retirement benefit—a 10-percent increase in benefits for these beneficiaries.

Fifth. Liberalization of the earned income limitation to increase from \$300 to \$500 the area in which only one-half of earnings above \$1,200 are treated as excess earnings.

Sixth. An increase in the contribution rates of one-eighth of 1 percent each for employees and employers, with corresponding increases for self-employed persons, thus keeping the system fully self-supporting and actuarially sound.

Provisions were also included in this legislation for an increase in the Federal matching maximum for old-age assistance, aid to the blind, and aid to the permanently and totally disabled; for the expenditure of Federal funds for temporary assistance to certain U.S. nationals who have returned from foreign countries and are without immediately available resources; extending through December 31, 1962—or, if later, the expiration of 2 years after the date on which coverage was approved for the group which originally elected coverage—the time in which employees who did not elect coverage under a divided retirement system agreement may change their decisions; adding New Mexico to the list of States which are permitted to divide their retirement systems; permitting survivors of ministers or Christian Science practitioners to file a certificate of election for coverage of the minister or Christian Science practitioner, in certain circumstances; and moving up by 1 year, to 1968, the scheduled increases in rates of tax for employers, employees, and self-employed persons.

H.R. 6145, by Mr. RIVERS of Alaska; reported to House August 15, 1961: As reported by the Committee on Ways and Means, this bill would provide a 1-year postponement of the reduced credit provisions relating to the Federal unemployment tax insofar as they relate to certain past advances to a State under title XII of the Social Security Act. This will have the effect of preventing the reduced credit provisions from applying to wages paid by employers in Alaska for calendar year 1961. The committee is aware that existing requirements for repayment of costs of outstanding title XII advances pose serious problems for a number of States—the reduction of credits provided by section 104 of the Temporary Unemployment Compensation Act of 1958 is not affected by this bill. The bill does not present a permanent solution to the problem, but the committee felt that, because the cost of unemployment compensation in Alaska is extremely high and it is the only State in which the reduced credit provisions would come into effect this year, it is desirable to postpone the operation of these provisions pending a more detailed examina-

tion of the problem. The administration is presently developing proposals in this area for submission to the Congress. The committee was unanimous in reporting the bill, as amended, to the House.

CUSTOMS AND TARIFF LEGISLATION

H.R. 641, by Mr. Boggs; passed House August 23, 1961: The purpose of this bill, as reported by the Committee on Ways and Means, is to provide for the free entry of one intermediate lens beta-ray spectrometer for the use of Tulane University, New Orleans, La., which that university has acquired from abroad to be used in the field of experimental nuclear physics. The committee was advised that this particular type of spectrometer is not available in the United States but can only be purchased abroad from a firm which specializes in the design of such instruments. Under these circumstances, the committee felt that Tulane University should not have to pay import duties on such a highly specialized instrument, which is not available in the United States and is utilized in important scientific projects.

H.R. 3385, by Mr. IKARD of Texas; Public Law 87-95, signed July 20, 1961: This legislation, which became law as reported by the Committee on Ways and Means, provided for the free entry of apparatus utilizing any radioactive substance in medical diagnosis or therapeutic treatment—such as cobalt 60 therapy units used in cancer diagnosis and treatment—and of electron microscopes, when imported for the use of, and not for sale by, nonprofit organizations and institutions, whether public or private, established for educational, scientific, or therapeutic purposes.

The committee was of the opinion that the general public interest would be served by permitting such organizations to import these needed tools of scientific research and educational pursuits without the burden of having to pay the substantial import duties which would apply in the absence of enactment of this legislation.

H.R. 3508, by Mr. Boggs; reported to House September 20, 1961: As unanimously reported by the Committee on Ways and Means, the purpose of this bill is to permit the Secretary of the Treasury to designate any freight forwarder, authorized to act as such by any agency of Government, as a carrier of bonded merchandise not finally released from customs custody. At the time the provision of the Tariff Act authorizing the Secretary of the Treasury to designate carriers of such bonded merchandise was broadened to include freight forwarders, only freight forwarders under the jurisdiction of the Interstate Commerce Commission were authorized to be so designated, the only reason for this limitation apparently being that other freight forwarders—such as airfreight forwarders—were not then as prominent in this field as they now are. The committee was of the opinion that the Secretary of the Treasury should be authorized to extend the privilege of handling bonded merchandise to any freight forwarder licensed to act as such by any agency of the Government.

H.R. 3668, by Mr. MACK; passed House June 14, 1961: This bill, which passed the House without amendment, amends section 498 of the Tariff Act of 1930 to permit the extension of the informal customs entry procedure to import shipments not exceeding \$400 in value. Present law permits informal customs entry to be made when the aggregate value of the shipment of imported merchandise does not exceed \$250, thus obviating within this area the necessity for the more complex and burdensome customs procedures required for formal customs entry. The bill, which raises this ceiling to \$400, retains the existing provisions of law giving the Secretary of the Treasury the discretion to establish lower ceilings for certain types of merchandise and transactions when circumstances warrant his doing so.

H.R. 4449, by Mr. MACHROWICZ; passed House June 14, 1961: The purpose of this bill is threefold: First, to add iconostases to the list of articles for which free entry is presently provided in paragraph 1774 of the Tariff Act of 1930, as amended providing for the free entry of certain articles for religious purposes; second, to provide for the free entry of adjuncts and appurtenances of the named articles whether to be physically joined thereto or not; and third, to extend the application of paragraph 1774 to cemeteries, schools, hospitals, orphanages, and similar nonprofit activities staffed and controlled by corporations and associations organized and operated for religious purposes.

The committee was advised by the interested Government departments that enactment of this bill would assist in solving certain difficult interpretative questions which have arisen under the present provisions of paragraph 1774, and unanimously reported the bill to the House.

H.R. 4591, by Mr. MACHROWICZ; Public Law 87-110, signed July 26, 1961: The purpose of this bill, as reported by the Committee on Ways and Means, was to continue for 1 year, to the close of June 30, 1962, the suspension of duties on metal scrap. The limitations and provisos of existing law were continued under the bill. Favorable departmental reports were received on this legislation, and no opposition to its enactment was made known.

In addition to a technical amendment to the House bill, the Senate added a section providing for the free entry of horsemeat, fresh, chilled, or frozen, when imported in immediate containers weighing, with their contents, 10 pounds or more. The Senate amendments were accepted by the House, and the bill became public law as thus amended.

H.R. 4940, by Mr. WATTS; Public Law 87-47, signed June 16, 1961: This legislation, which became law as reported by the Committee on Ways and Means, was designed to prevent the circumvention of the control by the Philippine Government over the exports of Philippine tobaccos to the United States by providing that U.S. customs authorities shall only admit free of duty under the Philippine tobacco quota such tobacco as the Philippine Government has licensed for export

to the United States free of duty under the provisions of paragraph 2 of article II of the Philippine-United States Trade Agreement.

H.R. 5193, by Mr. BAKER; reported to House September 26, 1961: The purpose of this legislation, as reported by the Committee on Ways and Means, is to impose sliding scale duties on imports of lead and zinc and lead and zinc articles. The duties would be imposed or removed, depending upon the domestic price levels of lead and zinc. The committee concluded that adoption of this formula is desirable, in view of the general dissatisfaction with existing quota arrangements.

H.R. 5852, by Mr. MEADER; Public Law 87-261, signed September 21, 1961: As reported by the Committee on Ways and Means, this bill provided for the free entry of a towing carriage for the use of the University of Michigan, which has a large ship model towing tank used for experimental testing and research on model vessels under simulated sea conditions, frequently under contract for the Maritime Administration and the Bureau of Ships of the Navy Department. The committee was advised that no company in the United States specializes in the design and construction of ship model laboratory equipment, and was of the opinion that it would be in the national interest that the University of Michigan not be burdened with substantial import duties in its efforts to modernize and up-date its ship research testing facility.

In reporting this legislation to the Senate, the Finance Committee added a provision to the House bill which amended the Tariff Act to allow non-resident visitors to bring up to \$100 in gifts into the United States duty free. The House accepted the amendment of the Senate, and in this form the bill became law.

H.R. 6611, by Mr. MILLS; Public Law 87-132, signed August 10, 1961: As reported by the Committee on Ways and Means, this bill, which was proposed by the President as a part of his program to counter the unfavorable balance-of-payments situation, provided a temporary—to the close of June 30, 1963—reduction, from \$500 to \$100, in the amount of articles acquired abroad that a returning resident of the United States may bring into the United States exempt from duty, and waived, in the case of articles acquired in the Virgin Islands, the 48-hour period for which otherwise such resident generally must remain outside the United States in order to be entitled to the exemption.

The Senate amended the House bill to provide that in the case of articles acquired in the Virgin Islands by a U.S. resident arriving directly or indirectly from the Virgin Islands, the exemption would be \$200 instead of \$100, without regard to the 48-hour requirement. The Senate amendment also would allow such a resident who has remained outside the United States for 48 hours or more an exemption of \$200, not more than \$100 of which shall have been acquired elsewhere than in the Virgin Islands. Under the conference agree-

ment, the House accepted the Senate amendments, and the bill became law in this form.

H.R. 6682, by Mr. WIDNALL; reported to House September 22, 1961: As reported to the House, this bill provided for the transfer from the dutiable to the free list of the Tariff Act articles known as fowling nets. These nets are used to temporarily capture birds, and facilitate quick banding and release of the birds. These activities are carried out by persons and organizations, primarily under the coordination and sponsorship of the Department of the Interior, who are volunteer workers receiving no pay, although supplying their own nets or other equipment. The information and records developed from these activities are used in research by the U.S. Government. The committee was advised there is no knowledge of domestic production of fowling nets, and received favorable departmental reports on the bill.

H.R. 7431, by Mr. DADDARIO; reported to House September 22, 1961: As reported by the Committee on Ways and Means, the purpose of this bill is to provide for the free entry of certain stained glass windows imported for use in St. Joseph's Cathedral, Hartford, Conn., and in St. Francis Xavier Church and auxiliary buildings in Phoenix, Ariz.

The committee is of the opinion that this legislation is meritorious and consistent with prior congressional enactments.

H.R. 7678, by Mr. TEAGUE of California; passed House June 29, 1961: The purpose of this bill is to amend the Tariff Act of 1930 to extend the existing free importation provisions for wild animals and wild birds intended for exhibition in zoological collections for educational or scientific purposes to wild animals and wild birds imported by any importer for exhibition for any purpose, or imported by a person or firm who in turn would sell them for ultimate use in exhibitions for any purpose. The amendments suggested by the Departments of State, Commerce, and Treasury to an earlier bill on this subject have been incorporated in H.R. 7678, and the bill was reported unanimously by the Committee on Ways and Means.

H.R. 7692, by Mr. HERLONG; passed House September 7, 1961: The purpose of this bill, as reported by the Committee on Ways and Means, is to amend the Tariff Act of 1930 to provide, first, that when articles, imported in containers required to be marked to show the English name of the country of origin, are repackaged in the United States and offered for sale, the new packages shall be marked to show the country of origin of their contents, and, second, that such containers shall be marked, in addition to the country-of-origin marking, to indicate to any person who repackages such articles that the new packages must be marked to indicate to an ultimate purchaser the English name of the country of origin of their contents.

The committee is of the opinion that enactment of this legislation will provide a comprehensive plan for insuring, in appropriate cases, that purchasers are notified of the origin of imported merchandise, thus greatly assisting in ful-

filling the purposes of our marking laws. Penalty provisions for violation are included in the bill, and the Secretary of the Treasury would be authorized to make exceptions from the marking requirements in certain circumstances.

H.R. 8938, by Mr. BASS of Tennessee; reported to House September 22, 1961: The purpose of this bill is to limit the tariff provisions for lightweight bicycles to typical lightweight bicycles and prevent classification thereunder of non-typical lightweight bicycles. The Committee on Ways and Means was unanimous in reporting this bill to the House.

MISCELLANEOUS (INCLUDING BILLS RELATING TO THE PUBLIC DEBT AND BILLS FALLING WITHIN MORE THAN ONE SUBJECT CATEGORY)

H.R. 311, by Mr. BENNETT of Florida; Public Law 87-58, signed June 27, 1961: The purpose of this bill, which became public law without substantive amendment, was to authorize the U.S. Government to accept gifts of money or other property which are to be used for the reduction of the public debt. It provides for the deposit of cash gifts, or proceeds from the sale of other gifts, in a special account on the books of the Treasury, and money in this account is to be utilized to retire obligations of the United States which are a part of the public debt.

Heretofore the Treasury Department, in the absence of specific directions to the contrary, has been treating gifts received by the United States for the purpose of reducing the public debt as unconditional gifts and depositing them in the general fund of the Treasury. The committee felt that those making gifts to reduce the public debt may prefer to have their contributions used for this specific purpose, and further that making this possible may encourage persons to make provision for gifts of this type.

H.R. 4317, by Mr. MILLS; Public Law 87-370, signed October 4, 1961: As reported to the House by the Committee on Ways and Means, the purpose of this legislation was to provide a system of annuities for surviving widows and dependent children of judges of the Tax Court of the United States. Prior to enactment of this bill the Tax Court was the only Federal court without an adequate system of survivorship protection, since the Congress in 1956 provided a survivor annuity system for other members of the judiciary generally.

The Senate amended the bill in several respects, and under the conference agreement—and as the bill became law—the House bill was amended to conform the benefit computation in the case of widows and dependent children of Tax Court judges to the formula provided in the 1956 act relating to widows and dependent children of Federal judges. In addition, a provision was added relating to the taxability of amounts contributed by an employer which is a public school system for annuity contracts for its employees.

H.R. 7500 (title II), by Mr. MORGAN; Public Law 87-293, signed September 22, 1961: The Committee on Ways and Means transmitted to the Committee on Foreign Affairs language amending the Internal Revenue Code of 1954 and the

Social Security Act in relation to Peace Corps volunteers and volunteer leaders. The general effect of these provisions is to treat Peace Corps volunteers and volunteer leaders in a manner similar to enlisted men in the Armed Forces for income tax and social security purposes.

These amendments were included as title II of the bill reported by the Committee on Foreign Affairs establishing the Peace Corps, and were accepted by the Senate in conference on the legislation, subsequently becoming law as a part of the Peace Corps Act.

H.R. 7677, by Mr. MILLS; Public Law 87-69, signed June 30, 1961: This bill, which became law without amendment, provided for a temporary—1-year—to June 30, 1962, addition of \$13 billion in the public debt limitation. The present permanent statutory debt limit is \$285 billion; this legislation provided an additional \$5 billion temporary increase over the temporary ceiling in effect at the time of its enactment—to \$298 billion. Enactment of this legislation was recommended by the administration, the Secretary of the Treasury having advised the committee that this action was essential to the orderly and economical management of the Government's finances.

S. 1750, by Senator MAGNUSON; Public Law 87-342, signed October 3, 1961: This legislation, which was enacted at the request of the administration as an integral part of its anticrime legislative program, amended the provisions of the Federal Firearms Act by prohibiting the shipment, receipt or transportation of firearms in interstate or foreign commerce to or by any person who has been convicted of, or is under indictment for, a crime punishable by imprisonment for a term exceeding 1 year. Prior to enactment of the bill, these prohibitions in the act had applied to any person who was under indictment for, or had been convicted of, a "crime of violence," as defined in the act. The Attorney General advised that enactment of this legislation would aid Federal law enforcement officers in their assault on organized crime. The bill was unanimously reported by the Committee on Ways and Means, identical bills having been introduced by the chairman and ranking majority member of the committee.

SUMMARY OF MAJOR PROVISIONS OF "DISCUSSION" DRAFT OF REVENUE BILL OF 1961

The discussion draft consists of 10 sections. The first indicates that the bill may be cited as the Revenue Act of 1961. The remaining nine sections would make substantive amendments to the Internal Revenue Code of 1954. They, together with the Treasury proposal on "tax havens," can be summarized as follows:

First. Investment credit—section 2: A credit against income tax is allowed for new investments (and for purchases of up to \$50,000 of used property) made in 1961 and subsequent years. The credit generally is equal to 8 percent of the purchase price of domestic investments. It is not available for property with a useful life of less than 6 years and in general is limited to tangible personal property or other tangible property,

apart from buildings, used in manufacturing, production, extraction, transportation, or communications. It also generally is not available in the case of public utilities.

Second. Entertainment, et cetera, expenses—section 3: Restrictions are imposed on the deduction of entertainment expenses for income tax purposes. First, with specified exceptions, these expenses may not be deducted unless they relate directly to the production of income and are not merely for good will. Exceptions are provided for business meals, employee and stockholder meetings, trade association meetings, conventions, and so forth. Second, no deduction may be taken for business gifts to the extent they exceed \$25 per recipient or for the payment of club dues. Third, entertainment and traveling expenses, to be deductible, must be substantiated in detail. Fourth, in the case of travel expenses, only a "reasonable allowance" may be deducted for meals and lodging.

Third. Mutual fire and casualty insurance companies, and so forth—section 4: Over a period of years mutual fire and casualty insurance companies are to be taxed on their underwriting income (their investment income presently is taxed) in substantially the same manner as stock casualty companies. After a 5-year transition period one-half of the underwriting income will be taxed in the year it is earned and the other half—to the extent it is not offset by intervening losses—will be taxed 5 years later. A transition rule gives partial exemption in the first 5 years. Small mutual companies will continue to be taxed only on investment income. Special provisions are applicable for reciprocal underwriters and interinsurers, factory mutual insurance companies, and companies with certain types of concentrated risks. In addition, the deduction now allowed life insurance companies for 2 percent of premium income from group accident and health business is repealed.

Fourth. Domestic corporations receiving dividends from foreign corporations—section 5: Domestic corporations receiving dividends from foreign corporations, if they elect to claim a foreign tax credit for foreign income, and so forth, taxes paid on the dividends they receive, must also include in their income these same foreign taxes for which they claim credit. This has been referred to as "grossing up" these dividends by the amount of foreign taxes paid with respect to them. Other technical amendments are also made.

Fifth. Exclusion for income earned from sources outside the United States—section 6: Earned income derived from sources outside of the United States presently is not subject to U.S. income tax if the individual involved is a bona fide resident of the foreign country. The draft limits this exclusion to some specified amount—undetermined in the committee's tentative decisions. In addition, contributions by employers to pensions, where the individuals worked abroad, are to be fully taxable to the individuals if they reside in the United States at the time they receive the

pension in the same manner as employees who worked in the United States.

Sixth. Gain from disposition of depreciable personal property—section 7: Any gain on the sale of most types of depreciable personal property, is to be treated as ordinary income to the extent of any depreciation deductions previously taken. For this purpose only depreciation deductions taken in 1961 and subsequent years will give rise to this ordinary income treatment. This ordinary income treatment is to be applicable only in the case of sales and certain other dispositions of depreciable personal property. Taxpayers will be permitted to change to more conservative forms of depreciation if they desire to do so in order to minimize the possibility of realizing ordinary income under this provision. Also, taxpayers under this provision will be permitted to ignore salvage value in determining their depreciation base to the extent of 10 percent of the cost or other basis for the property.

Seventh. Tax treatment of cooperatives and patrons Section 8: Cooperatives are to be permitted to deduct patronage dividends only when they are paid in money, "qualified scrip," or other property except nonqualified scrip. In addition, a deduction is provided for nonqualified scrip when it is redeemed. The same amounts are to be includable in the income of the patron at about the same time the cooperative takes the deduction—except where the patronage is attributable to personal expense items. "Qualified scrip" means scrip with respect to which the patron had an option to receive cash or scrip for a 90-day period after issuance, or, in the case of farm cooperatives, scrip issued only after the farmer within the year to which it relates consents in writing to received the dividend in scrip rather than cash. In the case of "exempt farm cooperatives," provision is also made for the deduction of amounts paid in money, qualified scrip, or other property (except nonqualified scrip) which is paid out of earnings derived from business done for the United States or from sources other than patronage, such as investment income.

Eighth. Withholding on interest, dividends, and patronage dividends—section 9: Provision is made for withholding at a rate of 16½ percent on interest, dividends, and patronage dividends. The recipient on reporting his income for tax purposes "grosses up" his net dividend or interest payment by one-fifth to obtain the gross payment which he reports for tax purposes. The withheld amount is then available as a credit against the tax otherwise due. No receipts are required under this system. A system of exemption certificates is provided for those having no tax liability and intra-annual, or quick, refunds are provided for those where the withholding is excessive because of the number of their exemption, eligibility for retirement income credit, et cetera.

Ninth. Information with respect to certain foreign entities—section 10: Under present law domestic corporations must furnish certain specified information with respect to foreign corporations

which they control or foreign subsidiaries of these corporations. If the information is not supplied, reductions are made in any foreign tax credit the domestic corporation might otherwise enjoy. This reporting requirement is extended to include not only domestic corporations but also individuals controlling foreign corporations and also to require information to be supplied with respect to certain additional types of foreign subsidiaries. Another requirement of present law requires certain specified information to be supplied by American citizens or residents who are officers, directors, or important stockholders of foreign corporations if they held such positions or have such stock interests at any time within 60 days after the creation, organization, or reorganization of the foreign corporation. Beginning in 1962 such information is to be supplied by such American officers, directors, or important stockholders on January 1 of that year and also by those who become so at any time thereafter.

Tenth. Treasury proposal on "tax havens." The Treasury draft—available to the public but not in the committee print—identifies certain types of income—such as income from exports, imports, licensing, certain dividends and interest, and reinsurance. Where such income arises from transactions of a foreign corporation with a related party outside of the country in which the foreign corporation is organized, it is to be taxed currently to U.S. shareholders of the foreign corporation even though there is no dividend distribution. This treatment applies only where five or fewer U.S. stockholders own more than 50 percent of the stock of the foreign corporation and then only in the case of those shareholders owning 10 percent or more of the stock of the foreign corporation.

A Survival Kit for Business

EXTENSION OF REMARKS

OF

HON. JOHN MARSHALL BUTLER

OF MARYLAND

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. BUTLER. Mr. President, the sins of a few too often condemn large groups who are completely innocent of any unethical or unwise business practices. It is always news when anyone is involved in wrongdoing but those who act as good citizens and perform their proper tasks day after day are never considered newsworthy. Hence, there is a tendency that is quite understandable on the part of the public to stigmatize large groups because a very few individuals or firms have been involved in questionable practices.

Recently, there has been an outcry against advertising per se. Yet, no other factor has played as important a role in developing the economies of mass distribution which in turn make mass production possible. Unless we have a strong consumer demand for the goods and services produced by our fellow cit-

izens, it will be impossible to take advantage of new techniques which reduce costs and enhance America's standard of living.

Advertising budgets, while they may seem large in global figures, represent one of the most economical means of informing the American public of the merits of a particular product or firm.

Probably no individual is better acquainted with the problems of ethical and informative advertising than the former chairman of the Federal Trade Commission, Mr. Earl W. Kintner. He made a most significant address entitled "A Survival Kit for Business" before the First Annual Conference, Sixth District, Advertising Federation of America, at Indianapolis, Ind., on April 21. It is worthy of the attention of my colleagues.

Mr. President, I ask unanimous consent that it may be printed at this point in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

A SURVIVAL KIT FOR BUSINESS

(Statement by Earl W. Kintner of Arent, Fox, Kintner, Plotkin & Kahn, Washington, D.C., before the First Annual Conference, Sixth District, Advertising Federation of America, Indianapolis, Ind., April 21, 1961)

I

A cynic can be delightful company during an interim of relaxation. Mordant wit often can illuminate the follies of mankind with penetrating accuracy. However, when the time for observation is over and the time for action comes, I find the company of cynics to be less than pleasant. In the realm of action cynicism often becomes an excuse for inaction, a mask for defeatism, a cloak for paralysis of the will.

Now that the scandals unearthed within the communications industry have been exposed to public view for some time the cynics have been in full cry. No lasting improvements or reforms will be made in the world of advertising, they say. Some of these cynics are the very men who must act if advertising is to operate in an improved moral climate. Other cynics include leading economists who have seized upon advertising's troubles of the past 2 years to renew their attacks upon the value of advertising to the American economy. Their eyes turn toward a planned economy in which advertising would be a poor relation, if not the enemy. Of greatest moment is the fact that the ranks of the cynics have been augmented by a host of aware and intelligent citizens.

I disagree with all these cynics, in and out of the industry.

Advertising is as susceptible to principled performance as any other form of economic activity. The rewards for ethical conduct are great and the dangers of unethical conduct are very apparent. The first such danger is the smoldering anger of the American public over shoddy advertising. Although this public indignation is not headline news every day, from my vantage point of the past 2 years I can assure you that it continues to be strong and deep. A surprising number of people have commented to me about the negative attitude that deceptive or tasteless advertising generates in them. Confronted with an advertisement designed to evoke a favorable attitude toward a product, these people often form a quiet resolve not to buy the product because of the offensive nature of the sales message.

Advertising is not a shell game. Good advertising informs; it does not deceive. These simple observations are truisms. Like

many truisms, the great danger is that the truth may be so self-evident that it is ignored. It is almost presumptuous of me to remind this group of creative advertisers of these simple maxims. However, in any area there is a periodic need to reexamine first principles. As I have just indicated, in advertising this reexamination must take place in the context of a new evaluation of the American audience. That audience grows better educated and more sophisticated day by day. The proverbial advertiser who addresses all of his messages to 12-year-olds continues to do so at his peril. A brief backward glance is sufficient to highlight the sharply rising level of taste and sophistication of the American audience.

James Webb Young, a great advertising pioneer, discussed a 1913 advertisement of Postum in a recent article in the Saturday Review. The ad points out the advantages of Postum over Brazilian coffee, attributing the following ills to coffee:

"Sallow complexions; stomach trouble; bad liver; heart palpitations; shattered nerves; caffeine, a drug; weakness from drug-ging."

Mr. Young then quotes a judgment on the changes that 40 years of education bring: "We doubt if the present owners of Postum would OK copy like this today. Even if they did not own Maxwell House." Mr. Young's example is not an isolated one. Any of you that have read the AMA three volume series "Nostrums and Quackery," or "Skindeep," or Turner's "The Shocking History of Advertising," or Holbrook's "The Golden Age of Quackery," know that the incredible claims of yesterday would not convince today. Every increase in culture, every advance in education, every exposure to wider experience places an additional seal of doom on shoddy, tasteless and irresponsible advertising. Despite the appearance in recent years of some very sophisticated institutional advertising, I sometimes feel that advertisers are the last to weigh the American audience at its true value. Certain it is that today's consumer is aware, and that he resents being patronized as an unsuspecting boob.

Some of you may say, "Oh well, this storm will blow over like so many others have in the past." This attitude is a mistaken one. The present threat to public confidence in advertising, while considerably abated by the massive self-regulatory efforts made by advertising at all levels during the past 2 years, is still deep and broad. It would be as dangerous to ignore the indignation of the American audience as it would be to insult its intelligence.

If any of you believe that the storm has now blown over and that advertising no longer suffers ill repute among our citizenry you will find the current survey of attitudes toward advertising appearing in Advertising Age to be stimulating—and shocking—reading.

II

This cynical attitude among the public can be abated.

Somehow the advertising industry must do as effective a job in explaining the essentiality of advertising in a consumer-oriented economy, its role in the creation of jobs, its role in the establishment of new markets and new products, its role in raising the standard of living, as the industry, through its advertising council has done in promoting Smoky the Bear and explaining the necessity of public purchase of savings bonds. This task calls for serious effort. To concentrate on some shortsighted effort to create facile prestige for advertising would be a serious mistake. Prestige does not exist independent of stature. Prestige is only a reflection of the social utility of an individual or institution. Advertising has real social utility, real economic utility, but it

is obvious that its utility has not been fully rationalized and communicated in meaningful terms.

One difficulty may be that in attempting to communicate the utility of advertising to the public admen often unconsciously address themselves to other admen. Many addresses, articles and books present telling points that are meaningful to the general public, but these worthy points often are obscured by the inclusion of some of the comfortable shibboleths and familiar jargon of the industry. A fundamental proposition of advocacy is to make the argument meaningful to the people you are seeking to convince. Demonstrating one's orthodoxy as a member of the "in groups" should be reserved for "in group" meetings.

III

A cynical public attitude toward advertising is dangerous. Cynicism within the advertising industry also constitutes a great danger. A cynic, doubting the honesty of his competitors, is easily tempted to sail as close to the wind as he can. And if one cynic yields to this temptation than many others, including some otherwise well-intentioned and upright men and women will also yield, because it is very difficult to refrain from fighting fire with fire in a hot competitive battle. Well, fighting fire with fire may wipe out the temporary gains of an unscrupulous competitor, but bear in mind that the competitive struggle then shifts to a lower plane. And people are watching. Those who already had a low opinion of advertising are presented with new evidence to confirm their opinions. And many new recruits enlist in the ranks of the cynics.

And what of the upright advertiser who adheres to his principles and refuses to fight fire with fire? Hopefully, public awareness of deception will be his ally. Hopefully, governmental sanctions will be applied to his amoral competitors before his plight becomes serious. But if the upright advertiser emerges from the crisis bearing scars he may turn bitter when the next crisis arises. If this bitterness is allowed to compound then the level of the industry inevitably will sink. And if the level should sink an aroused public will demand that tighter and tighter controls be imposed upon advertising.

IV

My interpretation of American economic history is that many devices for governmental regulation of business have been developed only after a protracted demonstration that free entrepreneurs had failed to discharge their responsibilities for the furtherance of the national interest in a given area of concern. The history of our antitrust and trade regulation laws illustrates this point.

The cardinal element in the structure of the American economic system is that economic problems will be resolved by the interplay of free competitive forces and that competition in the market will be conducted fairly. Monopoly and unfair competition war against that principle. A market ceases to be free when predators are able to deny entry to the market to struggling new enterprises, to damage competitors by foul means or to unilaterally set the conditions of trade. In the late 19th century, it became painfully obvious that private efforts could not impede the transfer of market power from diverse and disparate competitive entities to the trusts. Therefore, the national interest in free enterprise demanded the creation of the antitrust laws and the vigorous enforcement of those laws by the Government. Early in the 20th century, it became glaringly obvious that the freedom of a few to engage in shoddy trickery denied the benefits of a free market to honest competitors and trusting consumers. Again, the national interest required the interven-

tion of Government, and the Federal Trade Commission was empowered not only to prevent monopoly but also to insure fair competition.

Examples could be multiplied, but this one example teaches us that strictures on the exercise of power by business—limitations on the freedom of businessmen—often have been the result of failures by business to discharge its responsibilities for the protection of the public interest without governmental intervention. The lesson is that business cannot operate unrestrained in a free society. Business must either act in self-restraint to further the public interest or have restraints imposed upon it.

The failure of business to discharge its responsibilities is not the sole reason for the rise of Big Government in the 20th century. Doubtless there have been, and now are, many who see absolute values in a statist system. These disguised totalitarians will not wait for a demonstration of irresponsibility by business to press for further governmental controls. At least a part of the rise of Big Government is attributable to them. However, as I attempt to foresee the future of our free economy I do not greatly fear the apostles of statism. The American people are not easily gulled by assertions that Washington is the fount of all wisdom and therefore should be the source of all power. I think that the American people have an abiding faith in the benefits of a free enterprise system. I think the American people will place further limitations on that system only if that faith is badly abused. And the responsibility for justifying that faith rests upon every American businessman.

V

The plain duty of every businessman to protect the free enterprise system by avoiding shady dealing is reinforced by compelling considerations of self-interest.

I maintain that the keystone of our great system of distribution is reputation. Think for a moment of your daily purchases. I am willing to bet that in the vast majority of your daily purchases the thing that you are really purchasing is a reputation. It may be the reputation of a manufacturer or the reputation of a retailer. It may be the reputation of a person whose advice is valued. But in each case, reputation bulks large in the transaction. Indeed, the brand name concept is based upon reputation. Why would an advertiser spend millions to spread its name and the virtues of its product if not to acquire a reputation that will furnish the basis of a multitude of fruitful continuing business relationships? It would seem beyond dispute that any businessman who seeks to make more than one sale to the same person must value his good name beyond all else.

It is true that in the not so long ago the American hinterlands were full of drummers who descended like lightning upon a community, sold an entire stock of goods and then disappeared over the horizon never to return again, thereby escaping the wrath of infuriated consumers. It is also true that some of this sort of bilking still exists. But in this day of rapid communication, isolation and ignorance are no longer the potent allies of predators. Means now exist to detect the business crook, and laws now exist to punish him. However, the rapid communication that now helps to foil the trickster presents dangers to the honest businessman as well. Now a momentary lapse from the strictest standards of honesty can imperil a reputation that was many years in the building. Since reputation is so valuable, since so much of our trade depends upon reputation, it behooves every businessman to guard his reputation zealously. Americans defend the profit system on the ground that profit is the legitimate reward for the assumption of risks. Certain it is that the entrepreneur must boldly embrace those risks which promise adequate poten-

tial reward, but it is also a part of the duty of the diligent and prudent entrepreneur to shun avoidable risks. The risk of the inconvenience and expense of a legal proceeding, the risk of legal penalties and the risk of loss of goodwill and reputation that are the result of a violation of the laws guarding consumers and honest competitors are avoidable risks. The careful businessman can safeguard his enterprise by careful adherence to the requirements of law.

And we must not forget that every businessman has a duty to the free enterprise system itself in addition to the duty that he owes to his stockholders. A demonstration that individual entrepreneurs can safeguard the public interest in the absence of the massive controls of a police state vindicates the cause of freedom.

Those businessmen who operate the distributive phase of our economy—those who advertise and sell in the consumer market—must bear a special responsibility of compliance with the law. This is so because the American public has more contact with this phase of our economy than with any other. The average citizen forms his impressions and expectations of our system as he hears and reads the advertisements urging him to buy and as he purchases and uses the abundant goods produced by our complex economy. Judge for yourself how many people wade through dry tomes on economics in any given year and compare this with your estimate of the number of advertisements the average person is exposed to during the same period and then conclude for yourself what is the major source of most impressions of our system. The awesome power of advertising suggests the awesomeness of advertising's responsibilities.

VII

A safe course can be steered between the Scylla of an unregulated, low-level competitive brawl and the Charybdis of massive governmental control. To hold that course advertising men and women must accept the responsibilities that inevitably accompany the enjoyment of freedom and regulate themselves in the public interest. In that path lies survival.

The Nation's antitrust and trade regulation laws mark the path of responsibility. Those who would accept their responsibilities, and thus earn their freedom, must do two things: First, learn the requirements of the laws guarding our free economy; second, comply with those requirements. Compliance with the spirit as well as the letter of those laws is a necessity.

Fortunately, means to ease the task of education have proliferated in recent months. Any businessman who honestly seeks to develop a working knowledge of the pitfalls of deceptive advertising now has plentiful sources of information close at hand.

I am gratified that the Federal Trade Commission, during the period of my chairmanship, measurably extended its educational efforts. The expanded guides program, the new technique of area-wide business seminars and increased assistance to national and local advertising groups all marked this increased effort.

A tremendous educational effort has been forthcoming from the advertising industry itself. The updating and revising of the codes of most of the national associations, the new Advertising Truth Book of the AFA, and the development of codes of ethics by local better business bureaus and advertising clubs have all contributed to a new age of enlightenment in advertising. And the efforts of the media in improving the educational climate deserve special mention. Just last week I received a copy of the new standards of acceptability of the Detroit News. These standards are emblematic of a nationwide effort by the media to revise standards in the light of changed conditions. The Detroit News standards combine prin-

ciples from the latest FTC guides and decisions, the Advertising Truth Book, and the latest studies of the better business bureaus. I am proud that I could furnish a small contribution to this outstanding work.

Marked progress in accomplishing the second task facing honest businessmen—that of complying with the laws denouncing deceptive practices—has gone forward with remarkable speed and effect during the past 18 months. No recount of the massive efforts of the great national associations of your industry—the four A's, the AFA, the ANA, and the Association of Better Business Bureaus—is necessary here. Their efforts are comparable to the efforts of the advertising industry to gain the passage of the Printers Ink statutes. I am particularly concerned with the efforts of local advertising clubs and better business bureaus to establish thorough-going programs of compliance at the grassroots level. It seems to me that programs of this character are indispensable if the taint of deception is to be banished from American advertising, and I think that the advertising men and women in a host of American communities have clearly recognized the importance of grassroots compliance. An industry ruled by free imaginations can value freedom well. Advertising groups in communities throughout the Nation have clearly recognized that the public's clamor for truth in advertising must be answered, if not by them then by government. In a host of communities, ethics committees and advertising panels have been revitalized or new ones established. Local media, advertising agencies, and advertisers have joined together in a common cause to fulfill the responsibilities of a free industry.

VII

I have mentioned two potent reasons for a strong industrywide effort to attain voluntary compliance with the law, but I would be remiss as a citizen if I failed to mention a third reason. At this critical juncture in the war of ideologies every American must be concerned not only with preserving the free enterprise system within our borders, but extending that system throughout the world. I do not think that we can consider too often how much damage to our international influence can be caused by shady dealing in American business.

Far more damage can be caused than the facts in any given case warrant. Our detractors make skillful use of the propaganda trumpet. With a squeaky fact at one end, they can produce a triumphant blast out of the other. It is a blast than can be heard by credulous ears. Our detractors ignore the self-discipline of a thousand law-abiding businessmen while they herald the chicanery of one. And this one, our detractors shout, is free enterprise in action.

Unjust? Of course it is. We become indignant that our competitive system should be so misrepresented. The very strength of our economy should be a refutation that immorality built it. But, in typical American fashion, our indignation searches for a comforting explanation—preferably one that avoids personal involvement in any corrective action. With a shrug, we tell ourselves that business since the days of the Phoenicians has never been without its larcenous few and never will be.

To some, this philosophy may be comforting, but not to me—particularly at a time when individual freedom and State slavery are locked in a battle for the minds of men. We cannot afford to shrug away our weaknesses—minor though they may be in fact and in proportion to our virtues, they are not minor through the trumpets of our enemies. And the whole world is listening.

The integrity of our business community can be impeached by an amoral element. But the impeachment can be lifted if business will exercise those great privileges of freedom—self-discipline and acceptance of law.

**Report of Legislative Activities of the
Committee on the District of Columbia,
1st Session, 87th Congress**

**EXTENSION OF REMARKS
OF**

HON. ALAN BIBLE

OF NEVADA

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. BIBLE. Mr. President, I ask unanimous consent to have printed in the Appendix of the Record a statement by me concerning the legislative activities of the Committee on the District of Columbia.

There being no objection, the statement was ordered to be printed in the Record, as follows:

STATEMENT BY SENATOR BIBLE

In my capacity as chairman of the Committee on the District of Columbia, I am pleased to present to the Senate a report of the activities of the committee for the 1st session of the 87th Congress.

Your committee has seen the busiest session in some years. I believe the statistics and explanations presented hereafter will support the belief that 1961 has been legislatively productive in the best interests of the Nation's Capital City—the hub of one of the country's fastest growing metropolitan areas and the recipient of the inherent problems accompanying such mushrooming growth.

Congressional action was not completed on two matters of vital importance to the District's well-being; namely, the District's financial plight and the understaffed juvenile court where additional judicial manpower is critically needed.

To me, it is of paramount importance that conferees on the District's revenue bill return to conference sessions at the earliest opportune time next year to reach a decision to raise critically needed revenue for the operation of the District government. In my judgment, the Congress must face up to the hard facts that increasing governmental expenditures brought on by problems of a changing city require more local tax revenues and a greater Federal payment if the Nation's Capital City is to meet its obligations to its citizenry.

In the improvement of judicial machinery, again I believe it is regretful that the Congress has not seen fit to meet squarely the grave problems of the juvenile court where unattended juveniles today will become the full-fledged criminals tomorrow.

The Senate again passed legislation calling for 2 additional judges for the juvenile court whose backlog still numbers over the 1,000-case mark. The Judiciary Subcommittee, under the chairmanship of the distinguished junior Senator from Indiana, Mr. HARTKE, conducted a series of hearings on juvenile opportunities and the causes of juvenile delinquency in the District, taking testimony from many of the city's youth leaders and law enforcement officers. Again, I am hopeful that early next year, if additional judges are not the entire answer, then opponents of this effort will propose a realistic, workable yet not a backward youth correctional alternative for wayward juveniles.

The Committee on the District of Columbia, I believe, is unique among Senate committees by virtue of the great variety of problems, running the gamut of legislative proposals, which come before it. Constitutionally, the Congress is the legislative

arm for the District. The committee serves not unlike the upper house of a State legislature, a board of county commissioners and a city council combined, dealing with matters ordinarily common to both State, county, and municipal governments.

Many of us believe the District's legislative duties should be delegated by the Congress to a locally elected body, giving to this National Capital City true representative self-government. However, the Congress has not yet seen fit to approve this step although the Senate has passed such home-rule legislation 5 times in the last 12 years.

Since I realize the fact that few Members of this distinguished body seek out this committee for service, I believe that my colleagues on this committee are most deserving of the gratitude of the entire Congress, the people of the District of Columbia, and the country generally for the long hours they spend in office conferences, hearings, and executive sessions to tend to the business of the Nation's Capital City and away from national and international matters and those dealing with their respective home States.

Therefore, I take this opportunity to express my deep appreciation to my subcommittee chairmen who so unselfishly gave of their time and energies in the service of the District of Columbia.

They are my distinguished colleague, the very effective and hardworking senior Senator from Oregon, Mr. MORSE, who is chairman of the Public Health, Education, Welfare and Safety Subcommittee; my close friend and a willing worker, the junior Senator from Maryland, Mr. BEALL, whose long service both in the Senate and House on the District Committees, has made his work most valuable as chairman of the Business and Commerce Subcommittee; the distinguished junior Senator from Indiana, Mr. HARTKE, whose skill and experience in municipal government and as an outstanding lawyer have been invaluable to our committee as chairman of the Judiciary Subcommittee; and the capable and efficient junior Senator from Massachusetts, Mr. SMITH, whose municipal government background served so well in his capacity as chairman of the Fiscal Affairs Subcommittee.

To the other committee members, the junior Senator from Vermont, Mr. PROUTY, whose past service in the House and keen interest has been of great value to our committee; and the junior Senator from Iowa, Mr. MILLER, whose capable enthusiasm and warm attention to the affairs of the Nation's Capital City have been invaluable to our committee deliberations, I wish to express my sincere thanks and deep appreciation for the hours they gave to the problems of the District of Columbia and its local government.

I believe the Senate and the Congress this year made real strides in the field of constructive legislation for the District.

Unquestionably foremost was enactment of a law to implement the 23d amendment to the Constitution of the United States, granting to the citizens of the Nation's Capital City for the first time the right to vote for President and Vice President along with all other Americans. In this matter, the Congress acted with dispatch. Less than 6 months before, the 23d amendment had been certified as a part of the Constitution following its ratification by more than the required three-fourths of the States, also in near record time.

It is the fervent hope of many of us that since presidential voting has been granted to the previously voteless Nation's Capital that its plight as a city with taxation but without representation can also be changed. The next step in bringing fullfledged democracy to the citizens of Washington, D.C., is securing an elective city government under home rule legislation.

It is my wish that hearings on home rule legislation now before this committee can be scheduled early in 1962 and the bill be given a priority in the committee's deliberations.

Probably ranking second in the foremost legislative achievements in 1961 was the first implementing step in developing a mass rapid transit system for the Washington metropolitan area. Legislation was enacted authorizing a \$2½ million program by the National Capital Transportation Agency to acquire land in suburban Maryland and Virginia for median strips for express transit service on two major highway links, express bus service on a third suburban arterial highway and parking areas and stations adjacent to such routes.

In the field of law enforcement, so important to a city where the crime rate has continued to climb year after year, the Congress authorized a 3,000-man Metropolitan Police force, interestingly enough 100 years after the Nation's Capital City saw its first organized police organization formed in 1861.

In an associated field, the Senate approved legislation establishing a juvenile division of the District's Youth Correctional Center at the Lorton, Va., reformatory to permit eventual abandonment of the National Training School.

The committee again approved a bill outlawing mandatory capital punishment in the District, the only jurisdiction in the country with such a requirement, believing the District must get into step with other States in this field.

In an effort to curb traffic fatalities, the Senate passed legislation permitting the courts to increase jail sentences for traffic violations from 10 to 90 days.

The Senate passed bills providing for the District government to dispose of properties seized incident to violations of gambling and indecent publication laws of the District of Columbia. In addition, provision was made for the use of injunctions in connection with premises that have been involved in violation of the indecent publication laws.

In the field of improved judicial machinery the Senate authorized an increase in jurisdiction of the small claims court to aid many more residents in recovering money due and owing, provided the municipal court with authority over more civil cases by giving it jurisdiction over all counterclaims and cross-claims regardless of the amount of such cross-claims and counterclaims, amended the District of Columbia divorce, legal separation, and annulment laws and extended privileged communications to ministers of religion.

The Senate voted to strengthen the District's unemployment compensation laws to increase and extend benefits for workers and grant more protection for employers in connection with disqualification provisions.

In the education field, the Senate authorized establishment of a junior college division at D.C. Teachers College to meet an increasing demand for qualified teachers locally.

In the public welfare field, the Senate approved a bill consolidating the District's public assistance laws, providing a 1-year residence requirement, increasing relative responsibility requirements and making penalties uniform for fraudulent practices.

Two health regulatory measures won Senate approval. The District Commissioners were empowered in one bill to set standards and criteria for the regulation of the practice of physical therapy and a second bill authorized the establishment of tissue banks to aid the development of constructive medicine and surgery.

The Senate approved a bill extending for 1 year the Hospital Center Act with the assurance that the administration would send draft legislation to the Congress next year setting out a framework for orderly

planning and developing of metropolitan area hospital needs, rather than providing hospital facilities paid for by the District and presently used 40 percent by non-District patients.

In connection with this activity report, I should like to draw the Senate's attention to one overall figure in the statistical table hereafter. The committee in the 1st session, 87th Congress, had referred to it for action a total of 136 bills, acts, and nominations. Of this total 46 are awaiting final action by the committee and 62 were cleared by the committee for Senate action. The committee's active consideration of these matters stands as a commendable record in which the Senate should take justifiable pride.

The Committee on the District of Columbia received for consideration in the 1st session, 87th Congress, the following:

Senate bills.....	84
Housing bills.....	25
Nominations.....	27
Grand total.....	136

During the session, there were reported to the Senate from the committee 30 Senate bills and 17 House bills. Two Senate bills and one House bill remain on the Senate Calendar.

Of the 25 House bills referred to the Senate, 8 are pending before the committee.

Eighteen bills and acts have become public law as of this date (September 27, 1961).

Fourteen Senate-passed bills are pending before the District of Columbia Committee of the House.

Forty-seven hearings were held by subcommittees on Senate bills, 13 hearings were held by subcommittees on House bills.

The full committee held hearings on 18 bills and nominations.

The full committee met in executive session on five occasions.

Number of bills, acts, and nominations referred to committee: 136.

Number of bills, acts, and nominations reported to Senate: 62.

Number of bills and acts in process (hearings held): 2.

Number of bills and acts indefinitely postponed within committee, including consolidation, and nominations withdrawn: 26.

Number of bills, acts, and nominations awaiting final action: 46.

The following is a list, by title and number, of all bills and acts passed by the Senate during the 1st session of the 87th Congress (those that became law are indicated by the public or private law number):

S. 158. A bill to confer upon the domestic relations branch of the municipal court for the District of Columbia jurisdiction to hear and determine the petition for adoption filed by Marie Tallaferro. (Private Law 87-208.)

S. 486. A bill to provide for the appointment of two additional judges for the juvenile court of the District of Columbia.

S. 502. A bill to authorize the employment of retired personnel of the Federal Government by the Board of Education of the District of Columbia, and to authorize the employment of retired personnel of the Board of Education of the District of Columbia, by the Federal Government.

S. 557. A bill to amend the act entitled "An act to authorize the Commissioners of the District of Columbia to remove dangerous or unsafe buildings and parts thereof, and for other purposes," approved March 1, 1899, as amended.

S. 558. A bill to amend the acts of March 3, 1901, and June 28, 1944, so as to exempt the District of Columbia from paying fees in any of the courts of the District of Columbia.

S. 559. A bill to amend the District of Columbia Traffic Act, 1925, as amended.

S. 560. A bill to amend the act entitled "An act to provide for compulsory school

attendance, for the taking of a school census in the District of Columbia, and for other purposes," approved February 4, 1925.

S. 561. A bill to amend the act relating to the small claims and conciliation branch of the municipal court of the District of Columbia, and for other purposes. (Public Law 87-203.)

S. 563. A bill to amend the act entitled "An act to create a Board for the Condemnation of Insanitary Buildings in the District of Columbia, and for other purposes," approved May 1, 1906, as amended.

S. 564. A bill to provide for apportioning the expense of maintaining and operating the Woodrow Wilson Memorial Bridge over the Potomac River from Jones Point, Va., to Maryland.

S. 588. A bill to amend the act of May 29, 1930, in order to increase the authorization for funds for the extension of certain projects from the District of Columbia into the State of Maryland, and for other purposes.

S. 914. A bill to provide for more effective administration of public assistance in the District of Columbia; to make certain relatives responsible for support of needy persons, and for other purposes.

S. 1291. A bill to amend the District of Columbia Traffic Act, 1925, as amended, to increase the fee charged for learners' permits.

S. 1292. A bill to amend the act of June 19, 1948, relating to the workweek of the Fire Department of the District of Columbia.

S. 1328. A bill to authorize the establishment of a junior college division within the District of Columbia Teachers College, and for other purposes.

S. 1528. A bill to make the Policemen and Firemen's Retirement and Disability Act Amendments of 1957 applicable to retired former members of the Metropolitan Police force, the Fire Department of the District of Columbia, the U.S. Park Police force, and the U.S. Secret Service; and to their widows, widowers, and children. (Vetoed.)

S. 1529. A bill to amend the act entitled "An act to regulate the height of buildings in the District of Columbia," approved June 1, 1910, as amended. (Public Law 87-281.)

S. 1651. A bill to authorize the Commissioners of the District of Columbia to delegate the function of approving contracts not exceeding \$100,000.

S. 1761. A bill to amend the act of March 3, 1901, relating to divorce, legal separation, and annulment of marriage in the District of Columbia.

S. 1762. A bill to regulate the practice of physical therapy in the District of Columbia. (Public Law 87-280.)

S. 1918. A bill to extend benefits of the Policemen and Firemen's Retirement and Disability Act Amendments of 1957 to widows and surviving children of former members of the Metropolitan Police force, the Fire Department of the District of Columbia, the U.S. Park Police force, the White House Police force, or the U.S. Secret Service Division, who were retired or who died in the service of any such organization prior to the effective date of such amendments.

S. 2194. A bill to amend the District of Columbia Unemployment Compensation Act of 1935, as amended.

S. 2299. A bill to provide for the establishment of a juvenile division within or in connection with the District of Columbia Youth Correctional Center, and to authorize the Judge of the juvenile court of the District of Columbia to commit to such juvenile division, subject to the provisions of the Juvenile Court Act, children 15 years of age or older.

S. 2321. A bill to encourage and aid the development of constructive medicine and surgery and the development of medicosurgical research by authorizing the licensing of tissue banks in the District of Columbia, by facilitating antemortem and postmortem

donations of human tissue for tissue bank purposes, and for other purposes.

S. 2356. A bill to amend the act known as the "Life Insurance Act" of the District of Columbia, approved June 19, 1934, and the act known as the "Fire and Casualty Act" of the District of Columbia, approved October 3, 1940.

S. 2397. A bill authorizing the National Capital Transportation Agency to carry out part 1 of its transit development program and to further the objectives of the act approved July 14, 1960 (74 Stat. 537).

H.R. 256. A bill to amend the District of Columbia Alcoholic Beverage Control Act. (Public Law 87-238.)

H.R. 258. A bill to amend the District of Columbia Sales Tax Act to increase the rate of tax imposed on certain gross receipts, to amend the District of Columbia Motor Vehicle Parking Facility Act of 1942 to transfer certain parking fees and other moneys to the highway fund, and for other purposes.

H.R. 3222. A bill to amend section 4(a) of the act of April 1, 1942, so as to confer jurisdiction on the municipal court for the District of Columbia over certain counterclaims and cross claims in any action in which such court has initial jurisdiction. (Public Law 87-242.)

H.R. 4669. A bill to amend the law relating to gambling in the District of Columbia. (Public Law 87-259.)

H.R. 4670. A bill to amend the law relating to indecent publications in the District of Columbia.

H.R. 4913. A bill to amend the act of August 7, 1946, relating to the District of Columbia Hospital Center to extend the time during which appropriations may be made for the purposes of that act. (Public Law 87-79.)

H.R. 5486. A bill to prohibit the examination in District of Columbia courts of any minister of religion in connection with any communication made to him in his professional capacity, without the consent of the party to such communication. (Public Law 87-318.)

H.R. 5968. A bill to amend the District of Columbia Unemployment Compensation Act, as amended.

H.R. 6495. A bill to amend the Life Insurance Act of the District of Columbia. (Public Law 87-249.)

H.R. 6798. A bill to amend the act incorporating the Washington Home for Foundlings and to define the powers of said corporation. (Public Law 87-226.)

H.R. 7044. A bill to amend section 35 of chapter III of the Life Insurance Act for the District of Columbia. (Public Law 87-245.)

H.R. 7154. A bill to authorize the Commissioners of the District of Columbia to regulate the keeping and running at large of dogs. (Public Law 87-227.)

H.R. 7218. A bill to provide that the authorized strength of the Metropolitan police force of the District of Columbia shall be not less than 3,000 officers and members. (Public Law 87-60.)

H.R. 7265. A bill to amend the code of law for the District of Columbia so as to provide a new basis for determining certain marital property rights, and for other purposes. (Public Law 87-246.)

H.R. 7482. A bill to amend the Life Insurance Act of the District of Columbia approved June 19, 1934, as amended. (Vetoed.)

H.R. 7622. A bill to repeal sections 1176 and 1177 of the Revised Statutes of the United States relating to the District of Columbia. (Public Law 87-267.)

H.R. 8032. A bill to amend the Healing Arts Practice Act, District of Columbia, 1928, and for other purposes. (Public Law 87-248.)

H.R. 8444. A bill to amend the act of August 12, 1955, relating to elections in the District of Columbia.

H.R. 8466. A bill to authorize the construction of a railroad siding in the vicinity of Taylor Street NE., District of Columbia. (Vetoed.)

H.R. 9080. A bill to authorize the Philadelphia, Baltimore & Washington Railroad Co. to construct, maintain, and operate branch sidings over First Street SW., in the District of Columbia. (Public Law 87-325.)

The following is a list of nominations confirmed by the Senate:

Neville Miller, to be a member of the District of Columbia Redevelopment Land Agency to fill the unexpired term of James E. Colliflower, resigned, whose term expires March 3, 1961.

Walter N. Tobriner, of the District of Columbia, to be a Commissioner of the District of Columbia for a term of 3 years and until his successor is appointed and qualified.

Neville Miller, to be a member of the District of Columbia Redevelopment Land Agency, for a term of 5 years, effective on and after March 4, 1961.

C. Darwin Stolzenbach, of Maryland, to be Administrator of the National Capital Transportation Agency.

John Joseph Gunther, of the District of Columbia, to be a member of the District of Columbia Redevelopment Land Agency for the unexpired term of 5 years from March 4, 1957, vice Andrew Parker, resigned.

Warrent D. Quenstedt, of Virginia, to be Deputy Administrator of the National Capital Transportation Agency.

John B. Duncan, of the District of Columbia, to be a Commissioner of the District of Columbia for a term of 3 years and until his successor is appointed and qualified.

Thomas L. Farmer, of the District of Columbia, to be a member of the Advisory Board of the National Capital Transportation Agency.

G. Franklin Edwards, of the District of Columbia, to be a member of the Advisory Board of the National Capital Transportation Agency.

Frederick Guthelm, of Maryland, to be a member of the Advisory Board of the National Capital Transportation Agency.

Donald C. Hyde, of Ohio, to be a member of the Advisory Board of the National Capital Transportation Agency.

May C. Barlow, of the District of Columbia, to be associate judge of the municipal court for the District of Columbia for a term of 10 years.

James A. Washington, Jr., of the District of Columbia, to be a member of the Public Utilities Commission of the District of Columbia for a term of 3 years expiring June 30, 1964.

Andrew J. Howard, Jr., of the District of Columbia, to be associate judge of the municipal court for the District of Columbia for a term of 10 years.

editorial comment on one of the Board's most recent decisions merits the attention of all of us here in Congress:

While the Board's ruling on agency shops has been criticized in some quarters, it appears to me that the following editorial quite succinctly spells out the reasons why the board was correct in its decision.

Mr. Speaker, the editorial which appeared in Chicago's American follows:

THE AGENCY SHOP RULING

The National Labor Relations Board, reversing a previous decision, ruled Friday that the agency shop—a compromise arrangement between union shop contracts and right to work laws—is legal under the Taft-Hartley Act. The main result of this ruling will probably be that States which have passed laws against the union shop will face new legislation battles on whether to outlaw the agency shop as well.

Under the agency shop arrangement, a worker does not have to join a union to keep his job, as he does under union shop contracts. But he does pay to the union sums equal to the fees and dues paid by union members. The NLRB ruling means that this device is legal under Federal law; it doesn't affect the States' ability to make their own laws about it.

In the circumstances, the ruling was realistic. It won't end the disputes about union rights against individual workers' rights, but it does leave a lot less to argue about; the difference between a union shop and an agency shop is the difference between compelling a worker to join and merely giving him an extra incentive.

Opponents of the union shop could argue convincingly that it was an infringement of a citizen's rights to deny him work unless he joined an organization he didn't want to join. But if he is merely required to pay for the benefits of having a union, whether or not he chooses to join, it can hardly be called a hardship.

The NLRB ruling involved a dispute between the United Auto Workers of Indiana and General Motors Corp. Indiana courts had held that the agency shop did not violate the State's right-to-work law. If Indiana wants to outlaw the agency shop, it can do so by amending its present law—and the same applies to the 18 other States which have passed right-to-work legislation.

In other words, the NLRB decision was not a blanket Federal decree. It simply limited the Taft-Hartley law to exempt the agency shop, and left it up to the individual States to decide if they want to follow suit.

The reasons why women should vote are the same as the reasons why men should vote—the same as the reasons for having a Republic rather than a monarchy. It is fair and right that the people who must obey the laws should have a choice in choosing the lawmakers, and that those who must pay the taxes should have a voice as to the amount of the tax, and the way in which the money shall be spent.

The Republican Party played a leading role in the long struggle which culminated in the adoption of the 19th amendment. We should be reminded that prior to its approval by a newly elected Republican Congress as its first order of business in 1919, the proposals had been defeated on earlier occasions by Democrat-controlled Senate and House.

Republican achievements in behalf of women should be a matter of record and it is my desire to bring some of the more important activities to your attention.

The Republican Party platform of 1876 approved the "substantial advances" of women in gaining equal personal and property rights through action by GOP State legislatures. It also approved the appointment of women to public offices. Prior to that in 1872 the Republican National Convention had gone on record with the first national declaration favoring "additional rights" for women. In 1870 the Massachusetts Republican State Convention had seated two women suffragettes as delegates.

The first woman delegate to a national political convention was a Republican. That was in the city of Minneapolis in 1892.

The first proposal to be introduced in the U.S. Senate—in 1878—to give women the right to vote was made by Republican Senator A. A. Sargent, of California, and the measure lost in the Senate four times—three times while under Democratic control.

The first formal "rights for women" plank was contained in the Republican Party platform of 1896.

There were two ways through which women could be enfranchised: Congress could submit an amendment to the National Constitution which had to be ratified by three-fourth of the State legislatures; or the legislature of each State could submit an amendment to its own constitution which would receive the approval of the majority of the voters. Every Congress since 1869 had received the appeal for woman suffrage, but it was the Republican Party in 1916 that went on record favoring woman suffrage. That same year, 1916, Miss Jeanette Rankin, a Republican, was the first woman elected to Congress.

The newly elected Republican Congress in 1919 enacted as the first order of business the equal suffrage amendment which was introduced by Republican Representative James R. Mann, of Illinois. The measure passed the House 304 to 88 and the Senate 56 to 25. Prior to that, from 1913 to 1919, the Democratic Party controlled both the House and Senate and five times the proposals to provide suffrage to women were defeated.

When the suffrage amendment went to the States for ratification, 26 of the 36

The Agency Shop Ruling

EXTENSION OF REMARKS

OF

HON. ROMAN C. PUCINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. PUCINSKI. Mr. Speaker, Chicago's American recently ran a very interesting editorial in which it analyzed and the recent decision by the National Labor Relations Board dealing with agency shops.

The National Labor Relations Board has handed down several important decisions lately. I believe the following

Women and the Republican Party

EXTENSION OF REMARKS

OF

HON. SEYMOUR HALPERN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. HALPERN. Mr. Speaker, 41 years have passed since women were given the right to vote in the United States. On August 26 in 1920 the 19th amendment to the Constitution was proclaimed to be effective and a law of our land. In simple language the woman suffrage amendment states:

The right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of sex.

States which ratified had Republican legislatures. Twelve Republican States had given women full suffrage in State elections before the 19th amendment became a part of the Constitution.

The endeavors of the Republican Party to give the right to vote to the women of our Nation did not by any means conclude the party's ardent support of future and further accomplishment for women. The 1940 Republican National Convention proposed a constitutional amendment providing for equal rights for men and women.

In 1948, the GOP platform favored "equal work regardless of sex," and the conventions of 1952 and 1956 reaffirmed these stands. The 1960 party platform stated:

Congress should submit a constitutional amendment providing equal rights for women.

On February 16, 1953, President Eisenhower appointed Mrs. Clare Booth Luce as U.S. Ambassador to Italy and in July of that year Miss Frances Willis was appointed as U.S. Ambassador to Switzerland. Miss Willis was the first career woman diplomat to be promoted to the rank of Ambassador.

The appointment of Mrs. Oveta Culp Hobby was another milestone. She was the first woman Administrator of Social Security Administration, and in that role she was the first woman to "carry the ball" in the creation of a new Cabinet post—the Department of Health, Education, and Welfare. She headed it as its first Secretary, serving from 1953–55.

Other firsts for the Republican Party include President Eisenhower's appointment of Mrs. Pearl C. Pace as the first woman Chairman of the Foreign Claims Settlement Commission on July 1, 1954, and the appointment of Mrs. Dorothy McCullough Lee as the first woman Chairman of the Subversive Activities Control Board on August 31, 1956.

In January 1959, President Eisenhower designated Dr. Hazel K. Stiebeling to be the first woman to receive the highest honor the Nation can bestow on its career civil servants—the President's Award for Distinguished Federal Civil Service.

We should not forget that one-fourth of the delegates and alternates to the 1960 Republican National Convention in Chicago were women—an alltime high for any party.

It is the profound belief of the Republican Party that men and women together will be able to enact more humane laws than men alone can enact. It is a known fact that questions concerning women and children can be treated with deeper seriousness by men and women together. Government consisting of men and women together has made our Republic more profound. The Republican Party's record is indicative of the thesis that in the larger housekeeping interests of city, State, or Nation, women have as important functions as in the housekeeping affairs of the home.

It was Theodore Roosevelt who said:

It is the right of woman to have the ballot; it is the duty of man to give it; and we all need women's help as we try to solve the

many and terrible problems set before us. In the solution of these problems, we should use the full and not the cramped strength of every man and woman in the entire commonwealth.

Where Are We Headed?

EXTENSION OF REMARKS

OF

HON. JOHN M. ASHBROOK

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. ASHBROOK. Mr. Speaker, attention has recently been focused in my State on action which is being contemplated by the United Auto Workers Local 971 of Elyria, Ohio, against two of its workers who are producing too much. By no means can it be said that tactics such as these are the cause of our national problems but they must be recognized as one of the contributing factors. Americans are suddenly waking up to the fact that we are falling behind in our efforts to keep pace with our historical advancement and heritage. Instead of striving to do better and work harder, a national paralysis has struck the past generation with a result that we are seeking the soft life, the easy way out. True, we are ahead of the world as a Nation and our standard of living is unexcelled in all recorded history. Yet, many storm signals have been apparent for 3 decades but we are too content with the security won for us by others, our forefathers, to suffer any privation which might come from a long, hard look at what we are doing and where we are heading.

On September 12, 1961, the Cleveland Plain Dealer carried the following article:

TWO FACE UNION CHARGE FOR WORKING TOO HARD

Two veteran employees of the Bendix-Westinghouse Automotive Air Brake Co. plant in Elyria face possible expulsion from their union—and consequent loss of their jobs—for refusing to cut down their production.

Members of United Auto Workers Local 971 will select a committee at their regular meeting tomorrow to arrange for a union trial for Walter Lucki, 42, of 7264 Maddock Road, North Ridgeville, and Walter Fingulin of Wakeman, Huron County.

Lucki, a crankshaft grinder, has worked at the Bendix plant for 22 years. Fingulin, a 20-year employee, is a storeroom man.

Local 971 and Bendix are negotiating a new contract. The current agreement expires October 1.

On August 26 the local adopted a policy by which members would produce "no more than the normal standard established for the job." Ordinarily, workers are paid extra for anything they produce beyond 100 percent of their company-set quota.

It was this action that resulted in the company filing an unfair labor practice charge against the union before the National Labor Relations Board in Cleveland yesterday. E. R. Willemijn, director of company industrial relations, said the slowdown was a violation of the union's contract.

Lucki and Fingulin have refused to bow to the August 26 resolution and have been pro-

ducing in excess of their established rate. As a result the local president, Frank Lender, notified them of four charges leveled against each man.

The charges are violating his pledge as a member; failing to carry out his duties as a member; acting against the membership in not following the majority's dictates; and setting himself apart and aside from the membership.

LUCKI COUNTERS

If found guilty, Lucki and Fingulin could be reprimanded, fined, or expelled from the union.

Yesterday Lucki countered by accusing the local of trying to stage a slowdown and condoning abuses by members.

Lucki said he could produce up to 135 percent of his quota in 6 to 6½ hours, if things go reasonably smooth. This earns him an extra \$25 or \$30 a week, he said.

Lucki has eight children and his wife is expecting a ninth soon.

Lucki claimed members instituted a slowdown because they felt the company was stockpiling in preparation for a possible strike when the contract expires.

IT'S COMPANY BUSINESS

"It's the company's business if they are (stockpiling)," he said. "There may be other reasons for stockpiling."

"The machinery and the materials are there and the incentive is there to be used. It should be used."

"The company has been very good to me in my 22 years," Lucki added. "I always believed that you shouldn't slap the hand that feeds you."

Lucki emphasized that he has always been a strong and dedicated union member.

"I wouldn't want to work at a plant where there was no union," he said, "but on the other hand there can be abuses. A union can have a stranglehold on a plant. I feel both sides should be fair."

MIGHT LOSE JOBS

If they are expelled, Lucki and Fingulin may lose their jobs. The contract calls for a union shop.

Lucki, however, felt confident he would not lose his job.

"It takes a membership vote to expel a member, and there are plenty of oldtimers who know what's going on in the plant," he said.

Lucki works the 3 to 11 p.m. shift. He claimed that he and his fellowworkers frequently finish their quota by 7 p.m.

"After that, they sit around upstairs and play cards," he said. "The place looks like a regular Monte Carlo some nights. Some of the guys who don't want to play cards sleep."

I received a fine, penetrating letter from a constituent which has a message in it. It raises some very interesting question and is certainly worth reading:

JEROMESVILLE, OHIO,
September 14, 1961.

HON. JOHN M. ASHBROOK,
House of Representatives,
Washington, D.C.

DEAR SIR: United Auto Workers Local 971 of Elyria, Ohio, are bringing action against two of its members because they are producing too much. The union claims the men must not go over a standard of production which has been set. The two men—Walter Lucki and Walter Fingulin—veteran employees, are doing 135 percent more work than the other men. These two men claim that the other workers finish their quota in half the working day and then sit around, or play cards, the rest of the day.

Mr. Lucki and Mr. Fingulin are earning more by their own endeavor. They are not asking the employer to pay them more for the same, or less, work as some unions keep

doing. They are meriting more by producing more.

To me this action, by the UAW 971 against these men, is a disgrace and has the smell of catastrophe. Dare we as a nation permit a policy of this sort? Are we to condone parasites? We cannot afford to pay in dollars and cents for laziness or minimal effort. The price in moral degradation is staggering.

A copy of this letter is being sent to the UAW Local 971 and one to our local newspaper. I would like to ask the officers, and members of local 971 some questions:

1. Do you suggest to your children in school that they only do enough work for a C or average grade?

2. Do you encourage your children to do only what is demanded of them and no more?

3. Do you permit anyone doing home repairs, or the equivalent, for you to work 4 hours 1 day and 4 hours the next day and charge you for two 8-hour days?

Think what you are recommending to your members and the workers of tomorrow that are growing up around you. You should be ashamed for not holding up these two men as examples to be followed, as prototypes of the kind of workmen your union offers.

Mr. ASHBROOK, as a private citizen of another city, I can do nothing. I am asking you through your office, or that of the Representative of the Elyria district, to do something to stop this potentially disastrous action. Perhaps the pressure of public indignation may deter them.

Thank you for your interest.

Sincerely,

Mrs. GERALD LIKES.

JEROMESVILLE, OHIO, Route 1.

One of the outstanding newspapers of my district, the Mansfield News-Journal carried in its columns of September 17, 1961, this interesting editorial on the same subject:

THE WAY TO EARN NOTHING

Widespread attention is being focused on the two Elyria members of the United Auto Workers Union who face trial by a union committee for doing more than their quota of work.

They received bonus pay for their extra work even though it was done during the regular work shift. This was in accordance with a company-union agreement.

The union apparently does not object that these men made extra money. One of them probably needed it. He has eight children.

But the men did set a disturbing example by showing how much more could be produced in a normal 8-hour shift than the union quota permitted.

One of the men reported that often his fellow employees could fill that quota in 4 hours of an 8-hour shift. "After that they sit around and play cards," he is reported to have said.

In its origin, the quota system had two understandable purposes.

One: To prevent a company from unreasonably speeding up its piecework demands on the employee.

Two: To spread the work among more employees.

What has happened over the years is that the quotas have not kept pace with the mechanical advances in manufacturing.

Hence, in some instances a worker can now fill what was once a reasonable 8-hour quota in 4 or 5 hours.

So, a company which moved into an area where labor restrictions had not yet clamped down on its production, or a new company which started out with higher quotas, could produce more in less time and at less cost than the firm hobbled by out-of-date quotas.

Hobbled firms are finding they simply cannot meet competition from such untrammelled companies.

An unreasonable quota, therefore, no longer guarantees more men jobs but actually causes jobs to disappear as competition takes away the business that makes the jobs possible.

The Elyria case dramatizes the conflict between a man's normal desire to earn all he can and the union doctrine that less working means more jobs.

Actually the union doctrine is facing a severe test in many more places than Elyria.

Upshot of the whole matter is likely to be a new truism: "He who does nothing to be paid for soon finds there is nothing to be paid with."

No single group can be given the blame for our national problems. We see a loss of markets because of our high costs of production. These high costs of production are a result of business and labor practices but also reflect the high cost of Government. Our Government has encouraged practices of waste and inefficiency because it operates that way.

We appear to be constitutionally unable to balance our national spending appetite with tax receipts. We see an administration and a Congress dedicated to Keynesian and Fabian Socialist policies which call for billions more in welfare spending. We see a loss of trade abroad because of the contributing factor of governmental policies which are inconsistent, unreciprocal, and weak-kneed. We are reaping the welfare state harvest in a dollar which has lost over half of its purchasing power, a lack of national pride in work and accomplishment, a national debt nearing \$300 billion which extracts \$9 billion each year in interest alone.

The socialistic proposals which were rejected by Germany are being used to advance the economy of the United States. This interesting editorial appeared in the Columbus (Ohio) Citizen-Journal on May 18, 1961:

GERMANY TEACHES THE UNITED STATES

U.S. economic advisers increasingly are embarrassed by contrasts between America and West Germany—persistent unemployment here as against a labor shortage there.

Scripps-Howard Writer Roger Stuart has dug up a long-secret report which helps explain the embarrassment.

The report was made by a team of U.S. economists and submitted to the West German Government September 24, 1951. On the U.S. team was Prof. Walter Heller, now Chairman of President Kennedy's Council of Economic Advisers.

Some of the recommendations: West Germany was told it couldn't achieve the necessary rate of industrial expansion if it kept on worrying about inflation. The government was chided for an excessive concern for price stability.

However, Dr. Ludwig Erhard, West German finance minister, knew something about inflation. He had seen his parents' life savings lost when the mark went to pot. He rejected this advice.

Erhard also was told by the U.S. advisers that "a rate of interest high enough to stimulate any large volume of personal savings would seriously curtail investment." But German interest rates were left to find their own high level and so were savings and investment. Today West Germany is investing up to a quarter of its national output annually in the most modern industrial plant in the world.

Erhard was cautioned against liberal depreciation policies and advised instead to adopt a "compulsory investment program."

But liberal depreciation policies helped the German economy grow last year at the rate of 10.8 percent. The U.S. rate was less than 3 percent.

Just 15 years ago West Germany was a defeated and demoralized nation, its resources squandered by Hitler, its factories and homes flattened by bombs. Since then it has taken in more than 12 million refugees. It has imported nearly half a million more and still has a labor shortage.

Average wages have doubled in 10 years and still are climbing. And increases mostly are in true values because of effective measures against inflation.

West Germany last year lost fewer than 40,000 man-days through strikes. We lost twice that many on missile bases alone. German wage raises have come out of increased productivity—8 percent last year. German prices have been kept competitive in world markets, thus rapidly expanding foreign commerce.

The Germans, in short, have followed the historic principles of free enterprise—despite the advice they got from the United States. Even the West German Socialist Party has repudiated socialism.

The general theories of the 1951 report, rejected by the Germans, are the general theories now being urged on America by Professor Heller and other administration economists: Big spending and even budget-busting tax cuts, which breed inflation; artificial restraints on interest rates, which discourage saving and encourage Americans to export jobs by investing abroad; gimmicks in the form of tax incentives instead of adequate depreciation allowances.

Somewhere in all this may be found a clue to our creeping rate of growth, so roundly deplored in the campaign. Now Professor Heller wants us to follow some more of our own bad advice.

All of this adds up to an Alice in Wonderland economy. Where are we headed? Do we still believe in the free enterprise system or are we hopelessly committed to the welfare state and the next step, state socialism? The discouragement of work, policies of business, labor, and government which discourage economy and thrift and a citizenry which no longer cares are all of the ingredients we need to destroy our free institutions. What a paradox it would be if a nation dragging its feet should be overtaken and passed by a nation dragging its chains.

The Vanishing Incentives

EXTENSION OF REMARKS OF

HON. JOHN MARSHALL BUTLER OF MARYLAND

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. BUTLER. Mr. President, on June 8, 1961, Mr. Robert C. Tyson, chairman of the finance committee of the United States Steel Co., addressed the Manufacturing Chemists' Association. In his speech entitled "The Vanishing Incentives," Mr. Tyson emphasizes the importance of economic incentives to our way of life. He further points out the deadening impact of our tax burden on incentives and the stranglehold effect that the present tax laws have on the savings and investment process

which is so vital to a private enterprise system.

Mr. President, I ask unanimous consent that Mr. Tyson's remarks be printed in the Appendix of the RECORD.

There being no objection, the remarks were ordered to be printed in the RECORD, as follows:

THE VANISHING INCENTIVES

(By Robert C. Tyson)

I suppose it is no secret to you fine folks that production and profits in the steel industry have not, over the past several months, been cause for general jubilation. Rumor has it that a similar comment might perhaps also apply to your great basic industry. In recent weeks, however, things have been a bit better and everybody hopes they will get ever better and better so that the perplexing problems of the present will evaporate into dust of the past. But neither you, nor I, nor anybody else can guarantee such an outcome however devoutly desired. It is far wiser to recognize realistically that only as and when the problems of the present are satisfactorily solved will the road to a bountiful future be cleared.

With that in mind I turn directly to a subject that I regard as real cause for concern. I refer to the stifling—the vanishing, if you will—of the economic incentives upon which employment and growth in our land depend. Such incentives are more important to a free people than to those in authoritarian societies where men can be whipped into obedient servitude for the benefit of a ruling class. They can be forced to imitate the accomplishments that the initiative and resourcefulness of free men have elsewhere achieved. But where men are free it is obvious that maximum economic motivation and growth rest on the unhampered presence of incentives. The incentives are on the one hand the hope of achieving good income or profit through superior proficiency in producing wanted goods and services and, on the other hand, the disciplining fear of smaller income or loss for those who do not productively exert themselves in their own support. In a free society there is strong moral sanction for charity, but the essence of freedom is that no man is entitled to be a "free rider" on others' efforts without their consent.

I said that these incentives are being stifled in our land. The process has indeed been progressing for a quarter of a century or more. But for the past 20 years the stifling has been obscured and its evil consequences diminished or deferred by reason of the great war for survival and the insistent demands of the worldwide reconstruction years that followed it. To fight the fire in your house and repair the damage thereby wrought you don't need the profit and loss motives or, at least, they manifest themselves in different forms.

But, gentleman, the party is over; an era has come to a close. The uniform precedents of former postwar developments indicate, if followed this time, that we could be in for a stretch of rather difficult years—years of persistent unemployment; years of slackened economic growth; years when we greatly need the full stimulus of the historic incentives to invoke inventiveness, initiative, innovation, and risk taking so that we will become busy in finding and producing the new products of the future now that the war-accumulated tasks of the past have been done.

TO STIFLE INCENTIVE

The process of stifling incentives is simple and its consequence is disastrous for our type of society. Indeed it was all spelled out over 100 years ago in the Communist manifesto. It is quite simply to tax punish productive efficiency wherever it shows its head and everywhere to coddle the less efficient or the idle. If carried to the full this

eliminates all of both types of incentives and converts everybody from the personal pursuit of productivity to the competitive practice of indolence.

So that brings me to taxes—a necessity in any organized society but subject to terrible abuse. Business leaders do not always agree, but the premise here is one from which no one dissents: There is no such thing as a tax incentive. Any tax at all is a deterrent or "disincentive," to use a lately coined word. No one is ever normally stirred to earn or to produce anything by the knowledge that it (or its equivalent) will be taken from him by taxes. People may produce in spite of, but never because of, taxes. This is not to belittle the importance of the manner in which taxes are levied—to which I will come in a moment; but it does permit the observation that big taxes as such are deadly deterrents. This is one case where I readily concede that bigness is bad.

OUR TOTAL TAXLOAD

May I next add that, by any absolute or relative measurement one wishes to use, taxes in America are big, mighty big. There are about 100,000 taxing authorities in America and in the last fiscal year they collected more than \$125 billion. As an aside I note that in the same year they spent over \$150 billion. The tax burden was equal to one-third of the combined income of all persons in the country. For comparison one may note that in 1926 the corresponding burden was only about 13 percent. Years ago the distinguished scholar, Colin Clark, made studies to estimate the taxload that a market economy could endure without breaking out into inflation, and concluded it was about 25 percent. We have passed that point. A recent bulletin of the First National City Bank of New York reported that among all the leading industrial nations we are in most significant respects, if not in every single respect, the highest taxed people on earth.

My point, my first point, is that no one of us who loves his country dares dismiss as unimportant the ever-mounting burden of total taxation we already bear, especially in view of the huge future social expenditures to which we are already committed but for which we have not provided. I remind you of the proverb anent the straw and the camel's back. So let's not forget that big point as Congress conducts the customary scramble in which all groups seek to get the "mostest" for themselves to be paid for by taxes on that convenient "other fellow."

THE EXPENDITURE ALIBI

I realize, as do you, that behind taxes and pushing them upward are swollen and swelling expenditures for which there is an infinite array of appealing rationalizations. Since the close of World War II, for example, our Government has spent, loaned, or given away to others abroad well over \$100 billion. Also, I recall that back in the 1930's when farmers were having hard times we initiated a costly farm program; it is still with us and has cost so far about \$60 billion. Of late it is still costing about \$5 billion a year. In each of the past 6 congressional election years the benefit or the coverage under old-age or unemployment programs has been enlarged. This may appeal to the cynical, but it should perturb the prudent. We spend nearly \$50 billion a year on national defense and international relations. I observe that for each increase of three people in productive employment over the past 30 years, there has been an increase of one person in Government employment of civilians, with attendant cost increases.

These matters are in some quarters undoubtedly regarded as untouchably hot potatoes. So be it. But I do not challenge that the expenditures may have accomplished good purposes. I will go further: I can—and you can, too—readily think up a whole lot of other good purposes that would

cost, not trivial billions, but some handsome number of trillions. I have two comments—one as viewed by an accountant; another as viewed, perhaps, by a Cassandra. Since an accountant must ever balance the books I point out that whatever good is done by the spending must be balanced against the evil done by the taxing. Taking value from Peter to give to Paul does not increase total value one iota; instead, the value is undoubtedly in some part dissipated, if only by the overhead costs incurred in its transfer. Since a Cassandra would indulge in prophecy, I suggest that this Nation will encounter disaster if it continues to ride the fantastically rising curve of total taxing and spending it now bestrides—a much more than doubling in 10 years against a rise in national income at little more than half that rate. This great Nation could—despite wishful thinking to the contrary—dissolve its traditional institutions in financial bankruptcy. Within living memory it has happened to numerous other once strong nations.

I say this in full realization that there are two conflicting ideologies in our world today, each championed by a great nation armed to the teeth. We dare not lose that conflict. But some way other than sheer financial extravagance has got to be found, for the quite simple reason that whether you are murdered or commit suicide you are nevertheless dead.

THE CREATION OF JOBS

I turn next to the special impact of taxes, and particularly Federal income taxes, on incentives. It is best examined in terms of the mechanism through which new production and new jobs come into existence; for failure to understand and protect that mechanism lets any unemployment at all become the political occasion for initiating vicious tax-spend spirals that injure the mechanism and so perpetuate, rather than remedy, the unemployment. We had a taste of unemployment thus rendered chronic in the 1930's, from which we were rescued, however grim the thought, only by the galvanizing requirements of war.

We all know that economic activity is basically powered by human wants and that their effective satisfaction calls for many ingredients such as education, ingenuity, inventiveness, initiative, risktaking, thriftiness, moral and legal codes, dependable money, an orderly society, and so on—all of which are taken for granted. My present purpose is served by focusing on the axiomatic truth that for us there is one, and only one, important way that new production and new self-sustaining jobs come into existence. It is by the investment of savings in tools of production that men may operate to produce the marketable values to cover their continuing wage and investors' profit. It is the save-invest process. If taxation is designed to siphon off savings and discourage investment, it can choke off growth and strangle the private enterprise system. It has been so designed. Nearly 20 years ago the late Prof. Sumner H. Slichter said, and I quote: "The tax history of the United States in recent years has been fairly sensational. A visitor from Mars would suspect that a Communist fifth columnist was writing the laws for the purpose of making private enterprise unworkable." Should that chap revisit us now, he might well have the same suspicion.

ANTIJOB TAXATION

Consider the personal income tax: June 15 is not so far ahead nor April 17 so far behind that it could have completely slipped your minds. Its distinctive feature is that to each increment of larger incomes a progressively greater tax rate is applied, reaching 91 percent in the top bracket. Since the British have been consistently reducing the rigor of their personal income taxation, our 91 percent achieves the dubious distinction of being the highest such tax rate in the whole free world. Quite aside from Robin

Hood moralizing about letting anyone enjoy a competitively earned income greater than your own, can you think of a better way to siphon off savings from those most capable of making them and of investing them in the new job-creating ventures that spell progress? Is there a better way to destroy incentive to risk savings in new ventures than to tax away at steeply mounting rates any profits derived from so doing, while any loss of the savings so risked remains the investor's hard luck? Americans are adequately reckless but not recklessly foolish.

The taxation of corporate income unfortunately fits into the same growth and employment beclouding pattern. This is ominous because corporations provide two-thirds of all the nongovernmental employment and production. Through them the major flows of savings into growth-promoting investment are effected. During the past 14 years about two-thirds of the new productive investment, through which more than a half-million new nongovernmental jobs per year were created, resulted from corporate reinvested income. Current estimates are that in the period ahead we need to create new jobs at double that rate to avoid serious unemployment. It cannot be done by profit squeezing. It can only be done through profit enlargement.

Over 50 percent of corporate earnings—some three times the prewar rates—is now taken in taxes. Not only is this income taxed as earned, but it is taxed again when transferred as dividends to owners—the clearest case of double taxation to which no other form of enterprise is subjected. Dividends, which are all that owners get from their corporations, are a small part—less than 4 percent—of the Nation's income. Yet on this slim compensation to those who have risked their savings to provide the tools of production depends the functioning of our economy. It is shocking that they should be subjected to the heaviest taxation, for if profits and dividends should be abolished through taxation or otherwise our free economy would speedily disintegrate.

Double taxation of corporate income is an added efficiency-penalizing, incentive-undermining device and as such has no proper place in the tax system of a country dependent upon incentive for maintenance and growth of production and employment. When the rates were low this did not matter so much; now that the rates have risen to what may well be regarded as confiscatory levels it matters very much.

Inflation has rendered the taxation of corporate income harmful to economic growth in a special way. Under the code the depreciation allowable in calculating taxable income must be based on prices, often paid years ago, for the depreciable items. But such amounts cannot at today's inflated prices possibly have buying power equal to that originally spent and thus be sufficient to enable the enterprise to just "stay even." The deficiency, which should realistically be regarded as depreciation, is thus treated as income and on that pretense over half of it taxed away. This is more than inimical to growth; it puts a tax on just keeping even. It directly handicaps all corporations having depreciable property and especially those heavily invested in long-life facilities. It indirectly handicaps all others who do business with them as their capabilities as customer or supplier are undermined.

Years ago when this problem was first discussed—as some here may remember—businessmen disagreed on whether there really was a widespread and important problem. There is no disagreement on that now. The big disagreement now is on what is the best way to solve the problem.

The President has proposed that some part of expenditures for productive facilities in excess of specified depreciation amounts be credited against income tax otherwise computed. This would be a welcome alleviation

of the destructive tax burden on the vital corporate save-invest process. I must, however, also regard it as seeking to counterbalance while deferring correction of the depreciation situation. And yet that situation mightily needs correcting. I have fears that disagreement on how to do what all agree should be done may result in nothing being done. In the long parade of witnesses on the matter there are many who say the other fellow's solution is not the right one but proffer none of their own. There are others who agree that the other fellow's solution isn't the answer and then become another other fellow by proffering their own scheme—and so it goes. I would say that it is high time that businessmen who have agreed on the principle get together on the method, ever remembering that the most important thing is to take a step forward from where we are; the method by which the step is taken is secondary.

FISCAL TRENDS

From the viewpoint of safeguarding our essential economic incentives the current trend of fiscal proposals is frightening. On the expenditure side the proposals are for more and more spending and giving; prudence is not too visible. And yet we had better be prudent.

On the taxing side a crusade has been launched and its banner is "loophole." The selection of that word is some sort of semantic success if using good words to cover bad purposes can be so regarded. For if the fancy word is removed and the actual purposes examined their apparent intent in many instances is to shut off any breathing holes left in the thick blanket of taxation now smothering the vital incentives. How ironic if "loopholing" turned out to be "strangleholding."

I am not granted the time, nor is this the proper occasion, to appraise the several tax proposals in detail. My purpose here, moreover, is to proffer an orienting viewpoint on what is happening in and to our country and its incentives, rather than to condemn or commend specific measures. But I cannot forgo one or two comments.

Take that so-called loophole, the dividend exclusion and tax credit of the 1954 Internal Revenue Code. It wasn't put there because taxing authorities loved dividend receivers and wanted to show them favoritism. It was instead a meager step toward a correction of the serious and even dangerous injustice of confiscatory double taxation of dividends I have already noted. To repeal the provision is not to close a tax loophole; it is to resume full tax strangulation where it can do the most damage to the Nation's growth prospects. The pity of it is that only about one-half of 1 percent of Federal revenues is involved. Why risk our growth for that? Why not a little economizing in Federal expenditures instead?

Take proposed dollar limitations for tax purposes on "expenses for travel, entertainment and business gifts": This rests on the curious assumption that owners and managers do not know how much of what kind of expenses their employees ought to incur in order to end up with the biggest profits for the Government to tax; or else it is a first step in disallowing for tax purposes even more business expenses competitively incurred and thus covertly tax as income costs that clearly are not income. May I remind you of another camel—the one with his nose in the tent?

Take taxation of income earned abroad by foreign corporations owned in part or in full by domestic corporations: Aside from the intolerable administrative burden it would bring, it would introduce a startling new principle—that income is taxable before it is received and whether or not it is ever received. Foreign trade is a two-way street and this measure would certainly invite retaliation by foreign taxing authorities, thus

hampering rather than furthering international trade with adverse effects on domestic business and the delicate balance-of-payments situation. Its advocates suggest that its imposition would increase Federal taxes by less than one-third of 1 percent. My own opinion is that its repercussions would enduringly lower them by many times that amount.

Take restricted stock option incentive plans and noisy agitation to repeal the provisions under which they exist: I think this a situation where any antagonism must arise out of a misunderstanding which full study would surely correct. In a country where taxation is smothering incentives, alternative incentives should be sought not forbidden. Stock option incentive plans are unique in adding nothing to production costs to be covered by prices consumers pay. Nor do they take anything away from a corporation. Instead they bring in new capital and stimulate its employees' performance. They tend to expand, but never contract, the tax revenue base by stimulating more efficient utilization of manpower, materials and equipment, and hence in providing greater profits, greater dividends and possibly capital gains to be taxed. Their presence does not injure other stockholders in any way except on the incredible assumption that any and all improvement in performance achieved would have been equally achieved in their absence. Repealing the provisions under which optionees' incentive gains, if any, are taxed at capital gains rather than at surtax rates would not increase tax revenues. It would diminish them. The plans were created by and exist under a provision of the tax law. Without it they would wither away and leave little or nothing to be taxed.

I come now to the end of these remarks. I have sought, I fear, to cover too much ground in too little time. I have not stopped to argue or hammer home the viewpoints I have proffered. But that may not really be too important because convictions to be meaningful in attitudes and actions must mostly be self-achieved. So I will just carry away the hope that my words may have helped to turn your minds from time to time to the vanishing incentives, and that your contemplations will result in such self-achieved convictions. And if these should result in actions—well, that would be the most for which I could wish.

Report on the 1st Session of the 87th Congress

EXTENSION OF REMARKS OF

HON. J. EDWARD ROUSH
OF INDIANA

IN THE HOUSE OF REPRESENTATIVES
Wednesday, September 27, 1961

Mr. ROUSH. Mr. Speaker, with the 1st session of the 87th Congress now a matter of history and record, I would like to review the activities of the session and the relation of these actions to my district and the State of Indiana.

For more than 5 months of this legislative year, the Fifth Congressional District of Indiana was without representation in this body. It was a most unfortunate circumstance for the 460,000 residents of my district to be without a voice in this national assembly. The reason for this vacancy was the investigation into the election by order of the House of Representatives.

The manner of the investigation into our extremely close election again proved the integrity of the House and its committees. The result of the complete recount of the ballots proved that errors in tabulation and reporting could have denied the will of the majority of the voters in the district. A simple recount and tabulation of the ballots counted on election night by local precinct election officials gave me a majority of the votes. A count based on the application of uniform acceptance standards throughout the district also showed a majority in my favor.

Members of both political parties acclaimed the fairness and objectivity of the investigation. In their separate views to the unanimous committee report of my election, the Republican Members expressed their opinion that the contested election matter "was directed in a thorough and fair manner." The defeated contestant himself complimented the committee which handled the matter for "conducting the recount in an equitable manner."

Upon being seated, I introduced legislation which would provide a system of recount for congressional elections. My plan would allow States to pursue their own election contest procedures before certifying the results of the election to the Clerk of the House. This would speed the contest procedures and reduce the possibility of a district being without representation again for this reason. I am hopeful that the committee will consider the bill early in the next session.

Statistics of the session indicate that it was a hard-working, productive year. The length of the session was the longest in peacetime in decades. The number of measures introduced and acted upon were at near-record highs.

Most important to residents of the Fifth District of Indiana was congressional approval of the flood control construction in our district. After years of planning, construction will finally begin on the three-reservoir flood control system along the Wabash River. Congress appropriated \$700,000 to begin construction of the Salamonie Reservoir in Wabash County. The Mississinewa Reservoir will be begun with a \$500,000 appropriation. The Huntington Reservoir will undergo final planning and design; \$53,000 was appropriated for this purpose.

President Kennedy's strong support for flood control and water resources development was a great factor in our legislative work this year. It gives renewed promise for rapid completion of these needed projects. His revised public works program included the three projects after the final Eisenhower recommendations had neglected the important Mississinewa project.

Thus, we begin the flood control system which is so vitally needed by the people of Peru, Wabash, and all those along the Wabash River in Indiana. With the construction of these reservoirs come additional benefits to the residents of the area. Plans for the development of the reservoirs as recreation and conservation areas are progressing in the Indiana Department of Conservation.

The construction period will provide jobs for hundreds over the next several years. The ready supply of water will help alleviate desperate needs experienced by Marion, Huntington, and other area cities in recent years. The good of these projects is just beginning to unfold as construction starts.

The Federal judiciary of the State was increased with the addition by this Congress of one additional judge for each the northern and southern districts of Indiana and the addition of a judge to the Seventh Circuit Court of Appeals. This increase in the staff of the courts will aid the cause of justice by relieving the backlog of cases in each court and speed judicial action.

Indiana's benefits from legislation which bolstered the general economy are measurable. More than 36,000 unemployed persons in the State took advantage of the extension of unemployment compensation immediately after it was effective. This alone pumped more than a million dollars a week into the Indiana economy. Rapid return of Federal income tax payments, payment of veterans' insurance annuities and the speedup of military spending aided Indiana in its recovery from the recession of 1960. Economic statistics in the State are encouraging and the general economic outlook for Indiana is favorable.

Indiana and Fifth District farmers have been enthusiastic in their reaction to the feed grains program. This program, initiated by the 87th Congress, has been largely responsible for the increase in total national farm income. It will, for the first time in years, cut the total grain surplus in storage. By doing so, it can cut the total cost of the farm program.

As a former prosecuting attorney, I know the need for the Attorney General's crime program. The benefits to be derived from the anti-crime legislation he was given by the Congress will accrue to all. It will be of assistance to every law-enforcement agency in the Nation and will go a long way toward final success in the fight against organized crime.

The social security amendments of this session of Congress have improved the program in light of today's needs. These new benefits include: optional retirement for men at 62 with proportionately reduced benefits; a raise in benefits to widows from 75 percent of that to which the primary insured was entitled to 82½ percent of those benefits; raised earnings ceiling for retired persons; and broadened insured status requirements.

The Housing Act of 1961 was the most comprehensive housing bill passed by Congress in years. The provisions of this bill will make it easier for families, especially moderate income families, to own their own home or to make improvements in their present dwellings. The program of urban renewal and development in this act is of great encouragement to towns and cities in our district which are planning needed local projects. The programs for housing for the elderly citizens, for farm families and

for colleges will be of great use in our district.

Several communities in our district are planning airport improvements. The extension of airport programs by this Congress will enable these cities to provide more modern, safer airport facilities. Marion is completing work on a runway built under this program at the present time. Anderson, Huntington, and Wabash have contacted my office concerning their own airport development plans.

Many workers in the district have been affected by the change in the Federal wage and hour law. This Congress broadened the coverage of the law to include some 3.6 million more workers nationally and raised the minimum wage, in steps, to \$1.25 per hour.

The national defense posture was a subject of much concern in this past session of Congress. Acting on the recommendations of the President, Congress quickly approved increased strength both in conventional and modern armaments, and in our fighting forces. At the same time a concerted drive by the Congress and the administration has resulted in giving the Nation more for its defense dollar. The badly mismanaged M-14 rifle procurement has been corrected and this improved weapon is being delivered on schedule to our fighting men around the world. The shocking labor problems at key missile bases which existed in past years has been corrected. The administration's efforts have reduced the time lost in labor disputes from an average of 21,500 man-days per quarter in 1960 to 768 man-days in the second quarter of 1961.

The Small Business Administration program was expanded by this Congress. Activities of this agency have increased rapidly this year. The SBA provides valuable assistance to small independent businessmen and to communities. Conferences are being arranged in the district to better acquaint businessmen with their activities.

My assignment on the House Committee on Science and Astronautics has enabled me to observe the Nation's space efforts at first hand. The successes of our program this year, including the two successful suborbital manned launchings give preview to the developments of our space technology which are to come. With the impetus of increased emphasis for the moon program and other space efforts, our progress should be swift and the evidence of our progress increasingly more dramatic.

The committee activity is but one area in which I have taken special interest.

I introduced a bill to provide for the establishment of an Indiana Dunes National Park. My plan would enable the park and the Indiana Deep Water Port to both be established. These two projects complement each other. The port is of great economic significance to the State and I am happy to see the leadership in this project being provided by Gov. Matt Welsh. The park is of great conservation and recreation value. We can and should have them both in Indiana. To this end I have directed my efforts.

The construction of the Mississinewa Reservoir will necessitate the removal of the grave of the historic Indian figure, Frances Slocum. The present Slocum Cemetery will be inundated by waters from the reservoir. Attempts to have her body reinterred in Pennsylvania have been thwarted, I believe, by the alert expression of intense local interest in this historic monument. Plans are being made to secure a suitable site for her grave near the present location and I have introduced legislation to have it recognized as a national historic memorial.

In this age of nuclear terror, civil defense is valuable insurance for every family and a strong deterrent force for the Nation. To encourage the needed local efforts in our area, I called a district civil defense conference. Response to the conference was enthusiastic. I hope the results of the ideas expressed by civil defense experts to some 350 community leaders from the district will soon be evident in projects in the various communities.

The Federal Government has a program of disposing of its surplus properties to certain governmental and civic groups. I introduced a bill which would allow youth services and welfare organizations, the YMCA, Boys' Clubs, and the like to take advantage of this program.

These are the activities and products of the 1st session of the 87th Congress which stand as highlights to me. It has been an active, productive session. I look forward to the second session next year to continue the work begun this year of constructive, responsible legislation which will benefit the Nation, our State of Indiana, and my district.

The British Arts Council

EXTENSION OF REMARKS

OF

HON. JACOB K. JAVITS

OF NEW YORK

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. JAVITS. Mr. President, the functioning arts councils which currently exist in the United Kingdom and in Canada have proved strikingly successful over the years in encouraging and stimulating the performing and visual arts. They provide a pattern on whose lines my proposal for a U.S. Arts Foundation is based. Some idea of the accomplishments of the British and Canadian councils during the year is available in the report which appeared in the *Musical Courier* for September 1961.

The direct and favorable effect on overseas countries by American artists who have gone abroad under our cultural exchange programs is clearly brought home by Actor Hal Holbrook in an interview which appeared in the current issue of *Equity* magazine.

I ask unanimous consent that there be printed in the Appendix of the *Record*, the article by Noel Goodwin entitled "The Picture of Britain," the report en-

titled "Brief Look at Canada Council," in the *Musical Courier*, and the interview in *Equity*.

There being no objection, the article and report were ordered to be printed in the *Record*, as follows:

THE PICTURE IN BRITAIN

(By Noel Goodwin)

For the 12 months beginning last April the British Government has allotted £1,675,000 of national funds for the encouragement of the arts in Great Britain. The sum represents about 8 pence per head of population in the country and compares with about £30 per head for the cost of defense and the armed forces. Although it is the highest amount ever granted as a subsidy to the arts, it is still one of the lowest of its kind in Europe, even counting the relatively smaller countries of Switzerland, Sweden, Denmark, Belgium, and Holland.

A grant of twice this amount would enable national enterprises in music, opera, ballet, and the theater to operate on a basis of reasonable security. Without any grant at all there would now be no opera, no Royal Ballet, no Old Vic, and not more than two symphony orchestras in the country. Happily, the principle of Government patronage is now firmly, if still rather grudgingly, established as a part of national policy. Even so, it has never been properly planned as a whole but has just grown up from year to year since the war.

In the winter of 1939-40 the Pilgrim Trust gave £25,000 to set up what was then called the Committee for the Encouragement of Music and the Arts (CEMA). Government support was confined originally to the loan of a secretary from the Ministry of Education. Soon afterward it was persuaded to vote £25,000 to match the Pilgrim grant, and 2 years later it adopted the infant CEMA entirely. Postwar reorganization changed CEMA in 1946 into a semiofficial but independent body called the Arts Council of Great Britain, with a Government grant of £350,000 for the year.

The arts council was charged with the duty of developing a greater knowledge, understanding, and practice of the fine arts exclusively, and in particular to increase the accessibility of the fine arts to the public throughout the realm, as well as to improve standards of execution. It remains today as the instrument by which Government funds for the arts are distributed, except for a few special direct grants to museums and art galleries. Otherwise the Government does not normally specify where and how the money shall be spent, such decisions being the council's responsibility.

A chairman and 15 Council members are appointed by the Chancellor of the Exchequer, each serving for not more than 5 years. They are assisted by four advisory panels of experts representing music, drama, the visual arts, and poetry. All Council members and panel members are unpaid. The small paid staff is confined to a secretary general and his assistant, with separate directors for music, art, and drama, and regional directors for Scotland and Wales, plus the office staff. Total operating costs for the Council, including salaries, expenses, and local taxes, amount to just under £100,000 a year.

Allocation of government funds for the year is made after each enterprise claiming a grant has submitted estimates of income and expenditure for its planned projects. All enterprises must be "nonprofitmaking," and a sum is allotted in proportion to the costs and sphere of work as a grant-in-aid toward the expected operating deficit. They range from the £473,000 given to the Covent Garden Opera and Royal Ballet together in 1959-60 to £50 pocket money for some small local music society. In general music in its vari-

ous forms receives rather more than three-quarters of the total annual government grant.

In addition to grants from the central government through the Arts Council some enterprises such as provincial orchestras and theaters are supported by grants from the local authorities (city, borough, and district councils) in the areas they serve. Under the Local Government Act, 1948, these Councils are empowered (but not compelled) to spend the product of up to sixpence in the pound of local taxes on the arts. I do not think any spend the full amount. Most still spend nothing at all in this way, and the total throughout the country amounts to only about £250,000 a year.

The chief merit of the British scheme for government assistance to the arts is that it exists at all. In spite of the rapid development of a genuine interest in the arts among all classes of people, such activity still is viewed with considerable suspicion. The British artistic conscience is the victim of a curious and long-standing hypocrisy. It feels that art in itself is a doubtful diversion but becomes respectable when put to the service of worthy causes such as charity.

By making the Arts Council independent of political control, however, and charitable in the sense that those controlling it are unpaid, Britain has avoided the worst excesses of bureaucratic organization. Moreover, the enterprises assisted by the council are also required to be wholly self-governing in their affairs. They may accept other grants as well, as some now do from slowly developing industrial patronage and the conscience money of commercial television companies, but they must still maintain their independence and cultural purpose in artistic policy to qualify for public funds.

A scheme has lately been devised to assist Covent Garden in forward planning for opera by means of a guaranteed proportional subsidy for 3 years (actually 43 percent of its agreed annual expenditure). Other organizations still never know from one year to the next how much grant will be forthcoming, if any at all. The policy is apt to encourage budgeting for a higher-than-necessary deficit, in the hope that whatever lesser sum is received will be enough to see the project through.

In a way a premium is put on failure since the Arts Council may well choose to reduce grants to an organization which is just managing to get by in order to save some less successful claimant from final collapse. In addition once the council has made its decision, there is no means of calling it in question except by public outcry. I know of only one occasion when public opinion was sufficiently stirred to compel the council to change its mind, and that was in the crisis affecting the future of the Sadler's Wells Opera 3 years ago.

Those concerned for the future development of the arts in Britain believe that the time is overdue for the government, having accepted the principle of public patronage, to resolve its compromise with policy. The margin between persistent anxiety and a reasonable basis for security is relatively small. It could be met by the national taxes collected from a single millionaire in the top income bracket, or more than covered if local authority grants were enforced at the rate of no more than 1 penny in the pound throughout the country.

BRIEF LOOK AT CANADA COUNCIL

The Canadian Government in March 1957, passed legislation providing for a Canada Council for the Encouragement of the Arts, Humanities, and Social Sciences. The council was created 1 month later.

At the same time the government handed to the newly formed council \$100 million (the combined inheritance taxes collected

from the estates of two Canadian multimillionaires who had died the previous year).

The money was divided into two funds: One called the University Capital Grants Fund to provide money for universities planning to construct buildings for the arts, humanities, and social sciences; the other called the Endowment Fund, used to "foster and promote the study and enjoyment of, and the production of works in arts, humanities, and social sciences."

The latter, explains the council, is a perpetual fund, and from it only the annual income earned by the capital sum may be spent.

The council—composed of 21 members from private life—disburses an estimated \$3 million per year from the income earned by the perpetual fund. Scholarships and fellowships are distributed with about half of the available funds. Much of the remainder goes into grants for orchestras, theaters, operas, ballets, choirs, musical festivals, and art galleries. Grants during 1959-60, for instance, went to the Halifax Symphony for a tour of Newfoundland, to the Canadian League of Composers for an international conference, to the Montreal, Stratford, and Vancouver Festivals, and to the Canadian Opera Co. for its season and two tours—these among a long list of others.

In its recent annual report the Canada Council stated: "The council is encouraged to believe that its program is of value to the Canadian people; furthermore, the relations which the council has had with the public would appear to suggest that faith in the concept of the council has been strengthened."

AN INTERVIEW WITH HAL HOLBROOK (By Dick Moore)

When Hal Holbrook gives his celebrated solo performance of "Mark Twain Tonight" a note on the program precedes a list of 32 selections. The note reads: "While Mr. Twain's selections will come from the list below, we have been unable to pin him down as to which of them he will do. He claims this would cripple his inspiration. However, he has generously conceded to a printed program for the benefit of those who are in distress and wish to fan themselves." The program further speculates that of intermissions there will be "one or two, probably," and dismisses the dearth of music by explaining that "a trombone player was engaged, but is unreliable and should not be expected." Then, just in case the audience is under the impression that Mr. Holbrook is permitting himself to be pinned down after all, the pamphlet goes on to caution that it is not really official and that the program is subject to change.

One might assume from the foregoing that Hal Holbrook is loathe to commit himself. Not true. For this 36-year-old actor, monologist, writer, ambassador has, on an exhaustive tour of Europe under the auspices of the American State Department, committed himself deeply to the task of making Americans understood, and to an attempt at understanding people in other countries, too.

Hal Holbrook's living incarnation of Mark Twain was conceived in 1953 and, after a gestation period of 2 years, was delivered in 1955 without assistance in the Greenwich Village night club, Upstairs at the Duplex, where it remained and grew for 7 months. Off-Broadway, concert tours, record albums and a 22-week Broadway sellout followed. Among Mr. Holbrook's engagements was a guest appearance at an annual birthday party given for President Eisenhower by the White House Correspondents Association.

Prior to this impressive chain of events there had been 7 years of stock; a 2-person repertory company (organized with his wife) which gave 800 performances of Shakespeare for students, and a list of television credits

(including a running part on a soap opera) which is respectable but not imposing.

Soon to be seen on Broadway in "Do You Know the Milky Way?" Hal Holbrook still regards his tour for the State Department as the most personally satisfying engagement of his career.

Question. It's been reported that you're abandoning your role as Mark Twain. Is that true?

Answer. I don't intend to give it up until I'm dead. What I would like to do is a play or two occasionally and then go back to Twain. I think the danger in doing a character like Twain is when you run it for a long time you begin to lose your spontaneity.

Question. Will you visit other parts of the world to represent the State Department?

Answer. Yes, I think so. I've been asked to represent them in several parts of the world and I've also received some very good offers to appear commercially all around the world. And what I would like to do in 2 years if I can be lucky enough to get what I want in the interim, is to go away for 10 months with my wife and two children and make a slow journey completely around the world, which is what Twain did, you see. I would like to recreate his trip, but add a lot more countries to it.

Question. On your recent tour for the State Department you were completely sold out in most cases. Had your European audiences heard of your success in the United States, and what kind of preparation was made for you?

Answer. I am a little unsure how to answer that. My impression is that they really hadn't heard of me in most cases. For instance, in Belgrade, Yugoslavia, and even Oslo, they hadn't heard of me. But they knew Mark Twain extremely well and that's what I think drew them into the theater. However, what seemed remarkable to me was that just a little advance publicity in the form of newspaper releases, telling the public who I was and that I had been successful with this Mark Twain show, drew a whole houseful of people. They had to turn them away in many cases. That indicates two things, I think: a tremendous interest abroad in Mark Twain—they read him fully as much as we do—and that those people will go to see a live American actor on the stage the way children go to the zoo to see strange animals. An American actor, especially in a straight nonmusical play, is a strange freakish animal to most Europeans. They haven't seen many of us. In some of the European cities I visited I was the first American actor in a nonmusical production to be sent abroad by our country in 15 years. Even in a city like Vienna.

Question. You make a distinction between actors appearing in musical and nonmusical plays. Do you feel that a straight play represents our culture better? Does it offer better communication?

Answer. Well, the reason I make this distinction is that we have sent "Porgy and Bess" and "My Fair Lady" on a jaunt to Russia and we have sent many musicians over there. But until recently, we sent practically no straight theater. As for the matter of communication, I feel very strongly, especially after having taken this trip, that we underestimate the power which straight plays performed by good American casts can have in the matter of communication with those people abroad. It is not only our Government that overlooks this but our theater people, too.

Question. Not long ago you were quoted as saying that Twain's "satirical roasting of American foibles was taken in good spirits by the audiences." Is this "satirical roasting" used in Iron Curtain countries to discredit the American society, or can audiences accept it for what it is—legitimate self-criticism?

Answer. Do you know what I think? I think that people are far more similar than most of us realize. I had never been over there before, to Europe, except for one brief little jaunt. And, naturally, when I went behind the Iron Curtain I thought the first thing somebody would do would be to rush out onto the airfield, corral me, and try to make me into a Communist. Well, nobody tried to do that. As a matter of fact, they talked very little about politics. But when we criticize ourselves—not just to show what great fellows we are or how broadminded we are—but when we honestly criticize ourselves, especially with humor, I think it's the most disarming approach America can take with other people.

Question. You think this is understood on all levels?

Answer. Absolutely. Those people over there are just the same as we are. They're people, they grow up, they go to college, they go out and buy groceries, they have children, their families sit around and talk politics, theater, one thing or another. They are not dumb people and just because somebody tells them something it doesn't always mean they're always going to believe it. If they go to the theater to see an American production it means they're interested in seeing an American production. That's one step already. They have an inquisitiveness; they go there to find out something, and perhaps they go there to find out something they haven't quite been told yet. It's a very hard thing to explain to anybody, but people who go to the theater, they're not dumb. Twain did criticize himself, but on a universal plane. All the time that I was playing Twain, especially in the Iron Curtain countries, my whole motivation, the whole thought in my head was, "I wonder if you're gonna get the real point here. I'm not just talking about myself and my country. I'm talking about the human race of which you are a member." And I think people got that very, very much. Mark Twain is tremendously popular abroad. Well, why? He couldn't be popular abroad just because he wrote pretty stories about the Mississippi River. He's popular because he's a universal spokesman for the human race. And the human race is the same.

Question. Did most of the people who came to see you speak English?

Answer. Most of them, yes, but not all. It's so disheartening to try to convince people in this country—startlingly enough, people in the theater—that cultural exchange is worthwhile. They have the damndest notions about it. They know they could do it better and that it isn't being done right. Really, they have the most narrowminded vision toward the theater's role in cultural exchange, just so narrowminded that it's very disheartening to talk to them.

Question. Could you be more specific?

Answer. Well, take the press when I got home. I could sense from the reporters a real skepticism. "They really understood you, huh?" This is the first question. Americans cannot quite conceive of the possibility that other nations learn another language and learn it well. Of course people over there speak English, that is, educated people, and these are the ones who would naturally go to the theater. I talked with people over there who spoke English beautifully—not so often behind the Iron Curtain, but in countries like Norway, Finland, Germany, and Austria and Holland, my gosh, they spoke wonderful English. And my show isn't just in English, it's in the American idiom. Sure, they missed some things, but you know I got the biggest response I've ever had in Oslo, Norway. Laughs.

Question. More so than in New York?

Answer. New York, hell. Biggest response I've ever had anywhere.

Question. Then they got some things the Americans didn't get?

Answer. Yes, they did. They got many things American audiences didn't get. I don't like to generalize and this was only one case, in Oslo. In Warsaw I got no response at all, but at the end of the performance they gave me an ovation which was the biggest ovation I ever had, so how do you figure it? They must have gotten something out of the show. I don't know what it was, it didn't seem to me like they were getting the jokes. But they got something. I thought they didn't understand a word; maybe they didn't.

Question. Were you able to talk with your audiences after the shows were over?

Answer. No, except those who came backstage or arranged parties. But I did do one thing which I think artists going abroad should do, and which the Government should make it possible for them to do when they are representing us in the cultural exchange program: I took my time. We have to make money in this country and since they pay about one-fourth as much abroad for a show as they would here, in order to even clear expenses over there it seems they have to schedule at least one show a day. Well, nobody can do a good job doing one show a day, traveling from one town to another. One of the benefits of the cultural exchange program is that there's a certain amount of financial support from the Government which enables you to take care of your obligations at home while you're away. But these tours should be constructed so that the artists involved can spend some time going to universities and talking to the students, or going to any kind of group to meet people, to talk. You don't know what a cow looks like till you see the cow, inspect his fur and everything. You have to know the details and, to me the most startling revelation of the whole trip was that those people are precisely the kind of people I know. They're me. I'm them.

Question. Did they ask you many questions?

Answer. Well, at first they asked a lot about Mark Twain, and I was anxious to get over that and talk about America. The one idea that seemed to come up more than any was that American youths are beatniks in leather jackets—knife-carrying kids. They think this is about the norm. Long live Hollywood. And they almost always refer to the "rich people" and the "poor people" in America. Even in places like Finland, which is a great friend of ours, the newspapers refer to our rich people and poor people as though there's a tremendous distinction. Well, this distinction has gone somewhat out of fashion in the past 60 years, let's face it, and they don't know it overseas.

Question. What fosters these misconceptions?

Answer. If you want to know that, then ask yourself, "What do I know about them? What do I think about them?" We are several thousand miles away from those people. What do we really know about them? We know a little bit about what we read in the newspapers, mostly the headlines on an article. But, what do we know about them as people? We have tremendous suspicion about them, suspicion which is heightened by the very sensitive international situation. But this suspicion is an outgrowth of ignorance. They are as ignorant of us as we are of them. The minute you learn something about a thing you're afraid of you're not as afraid of it again. You never will be. Well, it's the same between people. The kids at the universities with the marvelous faces, tremendously eager, bright, leaning forward with faces sticking out, you know, looking right at you. Interested, every one of them. Packed classrooms. Asking questions, wanting to know and, underneath it all, responding to a kind of underplayed humor more

than anything else. I didn't give any speeches, I just kind of adlibbed, you know. There was this one incident at the University of Zagreb, when I was talking to the kids there.

They were great, their faces. I've talked to university kids in this country, too. Students are wonderful. Their minds are still open. You can still blow a little fresh air through the hole in their heads; they haven't corked it up yet, so there are possibilities, see? And these kids were asking questions. And there was this one kid—I found out afterward they were going to keep him out of the room because he was strongly communistic—he was standing along the wall and he finally interrupted me and he said: "Mr. Holbrook, what do the youths in America break windows with these days?" That kind of shocked everybody into silence. I said: "Bricks; what do you use?" And they all laughed. I said, "I've found bricks are as good as anything else to break windows with. I've done it with a baseball sometimes when I was aiming at the catcher and missed, but I found bricks are pretty good. Don't you find them pretty good, too?" Well, he looked sheepish and didn't say anything. The class was enjoying it. We were all enjoying it in good humor. I wasn't trying to make a speech. So then I went into a rather lengthy explanation about what it's like living in New York, what makes people break windows with bricks. I tried to make them conceive of New York City, conceive of a place where there are so many millions of people packed together in one small place, on top of each other where there's no room, no room for emotional outlets. Why do people break windows? No place to play; kids, you know, nothing to do. We rip down a lot of old homes, real crummy slums, to try to clean up the city. We're all the time cleaning up the city, we're building new houses, developments, etc., trying to make better conditions. And some kid whose family can't get into the new housing development—or maybe his crummy tenement building was torn down to make way for this new place and he's had to move around the block and make new friends and pull up his roots—he goes by this housing development and they've just put in those nice clean windows in the new building and, boy oh boy, he picks up a brick and, boy, he sees how many he can bust. That's what I told them.

Question. How did they take to that?

Answer. They took to that fine. Then this boy interrupted me again and he said, "Why don't they move to the suburbs?" And I thought, my God, he's been reading the "Man in the Gray Flannel Suit," and I laughed and I said, "We would love to get them to move to the suburbs. We would love it," I said. "But, you know, they won't go to the suburbs. People come to America in migratory waves. Every several decades we have a wave. Right now we have a wave of Puerto Ricans. A hundred years ago or a hundred and fifty we had a wave of Irish people, or German people. Right now we are in the path of a great wave of Puerto Rican people coming to live in our country. Where do they go? They go to New York City. We would love them to leave New York City and go outside. You know, we have across the Hudson River 3,000 miles of land that's practically unexplored. There's plenty of room for everybody." Some girl in the third or fourth row started to grin and nod her head. I said, "But you know of course it is very dangerous to go out there because you never want to get out in Wahoo, Nebr., or Seguin, Tex., or a place like that because you can't really call yourself safe. We still have Indian wars. There's a very vicious one going on out there now, but we don't tell about that sort of thing outside of our country because we don't want a bad name, but we're really fight-

ing these wars very hard. And our beatniks, why, even in a civilized city like Wahoo, Nebr., why you can't walk down the street at 9:30 at night because you pass a bush and some fella or some young kid will rush out with a big knife and slit you from ear to ear." And then those students started to look at me. They didn't know whether to take this seriously or not. Some of them started to smile and others looked terribly serious and concerned. I said, "Oh, it's very dangerous. You don't want to cross the Hudson River." I said, "My kid is 5 years old. I've given him for Christmas what he wants, which is a switchblade knife with a pearl handle on it. He's been using a wooden handle one now ever since he was 3 years old and he's got six notches in it. I think that's pretty damn good for a kid his age, don't you?" Then they laughed. They just burst out laughing. They're not dumb. They're no dumber than we are.

Question. Why, in Yugoslavia, would they want to exclude a Communist student from your lecture?

Answer. Well, it's a very simple and hospitable thing to do, and those people are very thoughtful. The people in Europe, I think, are generally far more thoughtful than we are, although I do think we would do the same thing in this country in a situation like that. This particular boy who started to heckle me had caused a lot of trouble before because he heckled visitors a great deal and they asked the cultural attaché at our Embassy in Yugoslavia whether he thought they ought to keep him out. Our man said, "No, don't. Mr. Holbrook would want to have him there. He wants that. So, don't tell him anything about it." And it all worked out beautifully. I was very impressed with the university. The head of the American literature department there is a wonderful man; the whole staff of the literature department was there. Poor, poor, crummy, crummy building. Awful, falling down building. Unbelievable. But they were packed in there and they were learning. They were really boiling with interest and energy, and when you arrive—hospitable. Hell, they invite you in to have a little slivovic—this white gasoline they drink—and some of this coffee that would stand a cow up on his back feet, and they get you all in condition before they put you but in the room. They're very hospitable. They give you a lovely introduction. After it was over I stayed and talked. I have a nice picture you might want to use, incidentally, with the kids around me. Another point I wanted to make. Oh, yes. This kid, this young heckler, he said: "Mr. Holbrook, you are an authority on Mark Twain. What do you think Mark Twain was criticizing in the book of the Connecticut Yankee? England or America?" And I could see what was on the other side of his brain with that particular question. I thought a minute, and I said, "That's a wonderful question. I don't think Mark Twain was criticizing Great Britain any more than he was criticizing America or anywhere else, even over here, for instance. He was criticizing inhumanity to man; injustice, the subjugation of masses of people by a small group of people who took advantage of them, cruelty, meanness. He was satirizing all those things, and it seems to me that those aren't peculiar to England or America." I said, "You remember that scene where the king is out in disguise and he passes a long line of slaves all chained together going off to a kind of a work camp? Now that sort of thing has even happened over here in Europe. Hasn't it?" Nobody said anything so I said, "No, he was just satirizing what he always satirizes, which is the human race."

Question. Do our films have much influence over there and, if so, what kind?

Answer. God, we hear so much of this. I suppose the comments I'm going to make

now, and the ones other people make, are just water off a duck's back. They don't seem to do a damn bit of good because everybody is so damned anxious to take care of themselves and get another car and all that sort of thing, washing machines and all—but it's true. There has got to be some sacrifice if you want democracy. Because it requires it. And those movies that we send abroad are not doing a very decent job of work for us. Now, the question arises, are they supposed to do a job of work for us? Well, no, it's free enterprise. The movies are made to make money and entertain people. But American movies are shown widely in other countries, and they create an impression of America which is not fair. They are too special. They deal with people who wear lovely clothes, go to nice night clubs, have wonderful cars, live in a very pretty home. You know how it is. You look at a film about a guy who's supposed to be earning about \$6,000 a year and he's living in a place that looks like his old man must be giving him an additional \$20,000 a year to make expenses. It's a little unrealistic. Now, naturally, to people who don't have that, there's a certain amount of resentment. People in Europe looking at that—they envy, they envy, and once you envy you dislike, you have fear, you have suspicion. And then of course so many of our movies deal with another speciality, which is violence, mobs, people shooting each other all the time.

Question. In view of this situation, do you think that any kind of regulation by our Government in terms of what we do export in this especially critical time would be feasible or desirable?

Answer. Well, this is a very complicated question and it's not easy to say what I think, but I'll try. Basically, I am completely against regulation by the Government of the affairs of the individuals who are called citizens of the United States. But there's no simple answer. It seems to me that our Government, which is doing a good job under enormous circumstances, could do a better job in the area of culture and ideas. But in order to do that the Government has to have the urgency of the people's desire behind it, because the Government is us. And if people just don't give a damn, or if people don't inform themselves well enough about this historic war of ideas—which is and has been going on for several years now—if they don't, if we don't take this seriously enough, then we won't win it. The French people have great logic, you know, and one of their basic points of logic is that you have to give up something for everything you get.

Question. You recently testified before Congress on a number of arts bills and told of your experiences abroad. Do you have any feeling about the temper of the legislative body in terms of its willingness to recognize the importance of ideas?

Answer. Oh, yes. You know, it's amazing, life is such a revelation. Europe was a revelation to me. Going to Washington to testify before a subcommittee was a great revelation to me. I knew, of course, that all Senators didn't wear string ties and act like buffoons and all that sort of thing. I knew that all of them weren't ignorant of the finer things in life. But it came as a considerable surprise to me to discover real earnestness, real desire to know and great sympathy for the information they had asked me to give.

Question. Did you find this interest keenest among the representatives of our so-called culturally oriented regions?

Answer. No. The subcommittee before which I appeared is headed by a man named WAYNE HAYS from Ohio, from the poorest district of Ohio, the mining district. There was also Mrs. FRANCES BOLTON, who is also from Ohio, from Cleveland, a more culturally minded place. There was also JOHN MONAGAN, a Congressman from western Con-

necticut in the farmington district, and there was also LEONARD FARBSTEIN, from below 20th Street in New York City. Those four people represented a certain geographic spread and they were all very interested in seeing this bill get a proper chance. But in order to give it a proper chance to pass they need some facts. Now those people don't know much about the theater. God, you could put in a thimble what they know about theater. It doesn't make them ignorant; theater is not their job. They don't know—like the fuss that was raised over Helen Hayes earning \$2,500 a week overseas, which she wasn't. They don't have any idea, for instance, that an actor or actress pays an agent a commission; that a person of Miss Hayes' stature, for instance, obviously must have a secretary to handle a great deal of mail; that she loses a lot of money on a trip like that; that some actors like myself have offices, if they've gotten into a position where they've got a lot of heavy paperwork; they have press agents to pay; that a person who makes a good amount of money in the theater has got to hire a good accountant, and they don't come cheap; and he's also got to have a smart lawyer; and by the time all these things are added up, plus other things that I haven't mentioned, it amounts to quite a financial obligation of which these people are unaware. Naturally, to them an actor is somebody that comes out and acts. He gets paid like a plumber, takes the money home and gives it to his wife, or spends it on sophisticated orgies. But, I'm very encouraged by Congress interest in our cultural exchange. It's the people in the theater that need to be a little more intelligent about what our theater has to offer and why we should offer it to other countries.

Question. What do we have to offer?

Answer. We have the most vital, energized theater in the world. It's slightly disorganized, but maybe that's one reason it's got so much flair. But when we send plays abroad, the purpose should be to show an honest picture of the American human being and to express the hope that he has and to show what's in his mind, how he thinks. And the beauty of this is that people abroad seeing a play in which these things are expressed are going to say "My God, they're just like me." Now this is not to underestimate the tremendous ideological differences which exist. But perhaps it's not necessary to go to war and destroy everybody just because you think differently. Perhaps there's room for differences of thought. If you like each other.

Question. Did you find that there is as much utilization of self-criticism in the plays of other countries as there is here?

Answer. I wasn't there long enough to find out. We saw classics, mainly, and in another language.

Question. What about TV abroad?

Answer. Well, I never saw any TV while I was abroad. I don't remember anybody asking me to see it, either.

Question. Were they interested in our television?

Answer. Interested, yes, but always in a kind of a critical way. I mean it came up in a lot of discussions.

Question. How?

A. "TV watchers," you know, "TV viewers, married to television." You see, they take the articles that we write about ourselves without the sense of humor that those articles sometimes have. This is one reason why we must send more plays over there. We must see those people face to face. We must show them there are various sides to our nature. I remember in Helsinki, at a big press conference we had there, this newsman was asking something about TV, bringing up the usual criticism of America, all a "bunch of TV watchers." He was asking me why I didn't want to do Mark Twain on television. That had apparently come out

somewhere in the Finnish press. So I told him why: briefly, because I was afraid I couldn't do it the way I wanted to do it, and also that I didn't feel that television is theater, and that Mark Twain, as I do him, belongs to the theater. I have to have an audience. You can't call two or three people, one of whom has to go to the bathroom, an audience. So I told him these various things and blasphemed television a little bit just to show him there was at least one American who didn't love it.

Told him that I took it away from my children. And this newsman back at the rear said, "Mr. Holbrook, I wish my wife could hear you now." And I said, "Oh, my God, you've got one, too." And he shook his head and said "Yes." So you see, it's universal. The only difference is we've got the money to buy more of them, that's all. The best way to defeat the rest of the world, to kill their spirit, is for us to send free television sets abroad. Oh, we'd capture them then. It's a funny thing about us. We think we're too commercial, they think we're too commercial. One of the reasons they're so convinced we're so commercial is that we're constantly telling them so. And then we're proving it by everything we do. But if we think we're too commercial, why in the hell don't we do something about it? Now, not next week. Maybe the truth is, we don't think we're too commercial. Maybe we love it.

It was 5:30 and Mr. Holbrook had to leave. "Of course, as I walked down the street after our interview I thought of many things I should have said," he recalled a few days later. "One of them is this: I think every great star in our theater should take 1 year out of the peak of his career and go abroad in an American production. It would represent a large sacrifice to him financially, but it would reward him with perhaps the most satisfying experience of his life." This thought on the record, Mr. Holbrook left again—this time it was Vancouver for a tryout of his play. For Mr. Holbrook (who, like Mark Twain, has used the incisive tools of his own imagination to carve his opportunity) was preparing to return to Broadway where, for the first time, he would star with someone else.

Railroads' Tax Problems

EXTENSION OF REMARKS

OF

HON. MELVIN PRICE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. PRICE. Mr. Speaker, I would like to include in the RECORD two editorials which appeared in the Journal-Gazette, Mattoon, Ill., on September 21 and October 5, 1961, regarding the railroad's tax problems. They are as follows:

UNFAIR TAXATION?

There are growing numbers of news stories and special features in the press today on the poor financial condition of most of our Nation's railroads.

While the railroads may be the major subject of this discussion, the financial future of any form of transportation isn't bright when you look into the crystal ball.

The airlines and truckers are not pleased with their outlook.

One airline on the verge of bankruptcy was recently saved by merger with a larger carrier. Trucking companies are juggling their routes and changing their operations

constantly to try and stay in the black. Some railroads have proposed mergers with others to try and help their situation. They have not been very successful.

While each form of transportation has its own private problems, they all share one common problem.

Practically every State, village, and hamlet has either tried to, or is taxing transportation. Each levies taxes without regard to what its neighbors have done. It sometimes appears that there is almost competition between the States to see which can get the most in taxes out of transportation.

While all of this is going on the transportation companies are exposed more and more to financial difficulties.

The Federal Government offers no protection against local taxation and, of course, local governments can offer no protection from Federal taxation.

There is possible relief which transportation companies pray for when their backs are finally against the wall. That is Federal subsidy. Whether or not they can get it is always questionable.

It seems rather silly to have to ask the Federal Government for subsidy to offset, among other things, the payment of local tax bills. Federal money comes from the local people to start with and its intent originally was to nurse a new and promising form of transportation to life.

No one is trying to advocate that transportation be immune from taxes. There must be, however, a fair way to levy taxes on our various forms of transportation. With all of the experts in Washington such a study should be gotten underway.

Our railroad companies, trucklines, and airlines are a vital part of the security of our country. In time of emergency it is these companies who are called upon to do fantastic jobs.

They should all be made strong and kept strong, not only so that they can provide Mattoon and other cities with good and frequent service, but also for the day when they might well again be one of the most important contributing forces to our survival.

ARE THE RAILROADS UNFAIRLY TAXED?

Probably more so than any other form of transportation.

Part of the railroads' tax problems are created by the vast areas of land they use.

Due to the nature of their business they cannot share this land with other users and therefore cannot share their tax load in any way.

In 1960 the railroads were operating 220,000 miles of track. The maintenance of this right-of-way is paid for entirely by the railroad companies. This is as it should be. It would also seem perfectly fair for the railroads to pay taxes on their land just as any other corporation does, but this is not the case.

The railroads are required to pay double the taxes on their land that other corporations have to pay.

In the State of Illinois, railroad property in 1957 was valued for tax purposes at 100 percent of its value while other property throughout the State was valued at an average of less than 50 percent of its value.

In other words, most corporations owning a piece of property worth \$1,000 would only have to pay taxes on 50 percent of that \$1,000 valuation. Not so with the railroads. They must pay taxes on 100 percent of that valuation.

This is only a State tax and the State relies heavily on taxes received from the railroad companies. It totals over \$18 million a year in Illinois alone.

And again, as always, the Federal Government steps in for its share.

For years the railroads have not been allowed to depreciate their property in a real-

istic manner. The Federal Government has its own ideas on the life expectancy of railroad equipment.

Actually, according to the Association of American Railroads, the railroads should be spending about \$2 billion a year in modernization programs. This would come out of the railroads' reserves for depreciation.

The Internal Revenue Service has, on the other hand, been allowing only about one-third of that amount for depreciation. This causes abnormally high income tax payments for the railroads.

They cannot modernize their right-of-way and equipment and still carry this heavy tax load.

Something has to give—and what does?

The modernization program, as well as the quality and quantity of service offered.

It appears that the State and Federal Governments are treating the railroads rather unfairly.

Nuclear Aircraft

EXTENSION OF REMARKS OF

HON. MELVIN PRICE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. PRICE. Mr. Speaker, the American Legion in its national convention in Denver last month again gave serious consideration to the vital issues affecting our national welfare and security. I think we should all take special heed of their deliberations. The vital contributions of its members to the defense of our Nation and the continued responsible interest they have shown in the maintenance of our national security and freedom has earned the Legion the heartfelt respect and gratitude of the Nation.

The responsible vision of the Legion was strikingly displayed in the resolution adopted at the convention on Aeronautics and Space. The American Legion reaffirmed its support of the most rapid possible development of a nuclear powered aircraft and resolved to urge the President, the Congress, and the Department of Defense to reevaluate the nuclear aircraft program and assign to it the highest priorities as an item vital to our national defense. At the end of this statement I would like to include the complete resolution adopted by the American Legion on the nuclear aircraft.

I have fought hard for the development of the nuclear-powered aircraft. The limitless range and endurance of a nuclear aircraft, in addition to the obvious military advantages for conventional military aircraft operations, would undoubtedly open up complete new concepts of military operations. To see what can develop with a revolutionary propulsion system we need only look at what has happened in the case of nuclear submarines. Certainly thinking people saw the advantages of nuclear propulsion for submarines for the classical operations of torpedo warfare and of course these advantages were sufficient and necessary enough to justify the development. But who foresaw the completely new concepts of military operations which came along with nuclear

submarines such as the Polaris ballistic missile system? These are the types of development which in the present gravity of world events have made it possible for us to maintain our freedom. The American Legion in its resolution on the nuclear aircraft has shown the vision we must have to assure the availability of the wherewithall we must have to maintain our freedom in the future.

It was encouraging to me to see the recognition given in the American Legion resolution to the status of the development work on the nuclear aircraft when it was stopped earlier this year. This is, in my opinion, an important issue and one which has caused me special concern when the nuclear aircraft development program was stopped. We have developed the technology. We were on the homestretch of actually having a nuclear aircraft. I am sure we will someday go back to the job and complete it, but I am afraid we have thrown away our lead and momentum and that we now will not be the first to have this revolutionary system of propulsion.

Following is the complete text of American Legion's resolution on the nuclear-powered aircraft:

RESOLUTION No. 559

CONVENTIONAL AERONAUTICS AND SPACE NUCLEAR-POWERED AIRCRAFT

Whereas the gravity of world events make it imperative that the United States accelerate research and development efforts to the maximum in the field of weaponry if we are to maintain the peace and safeguard our freedom; and

Whereas it is now technologically feasible to develop the nuclear-powered aircraft which is capable of sustained flight over long periods of time without refueling; and

Whereas such aircraft will provide means for a realistic airborne alert which could be employed either strategically or tactically; and

Whereas an atomic-powered aircraft provides an invaluable mobile launching platform for ballistic missiles: Now, therefore, be it

Resolved, by the American Legion in national convention assembled in Denver, Colo., September 10-14, 1961, That it reaffirms the principles and objectives adopted by the American Legion at its 42d national convention in support of the most rapid possible development and production of a nuclear-powered aircraft and urges the President, the U.S. Congress, and the Department of Defense, to reevaluate this program and assign to it the highest priorities as further means of strengthening our national defense.

Resolution on Residual Oil Import Quotas Adopted by the New England Governors' Conference, Kennebago Lake, Maine, September 11, 1961

EXTENSION OF REMARKS OF

HON. LEVERETT SALTONSTALL

OF MASSACHUSETTS

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. SALTONSTALL. Mr. President, we in New England feel very strongly that urgent attention should be given to the residual oil import study now

being undertaken. The New England Governors' Conference at Kennebago Lake, Maine, adopted the following resolution on September 11, 1961, and it shows the importance they attach to it.

I ask unanimous consent that the resolution be printed in the Appendix of the RECORD.

There being no objection the resolution was ordered to be printed in the RECORD, as follows:

Whereas quotas imposed on residual fuel in 1959 have brought about a shortage and substantial price increase costing the New England states over \$30 million a year in added fuel costs; and

Whereas these restrictions are hampering our regional industrial growth; and

Whereas restrictions on this vital industrial and heating fuel have penalized particularly hospitals, civic institutions and public agencies; and

Whereas these restrictions on residual oil imports have damaged our international trade relations, thus adversely affecting our national security: Therefore be it

Resolved, That the New England Governors' Conference records its unequivocal opposition to the continuation of these quotas, and applauds the efforts of the New England Senators' Conference and of the Members of the New England Delegation in the House of Representatives to have these quota restrictions removed; and that, furthermore, The New England Governors' Conference calls upon the President of the United States, who will receive shortly a recommendation from the Office of Civil and Defense Mobilization, to bring about an end to the discriminatory and unfair burden that has been placed on the citizens of the New England states.

Capitol Closeup, by Martha Rountree

EXTENSION OF REMARKS

OF

HON. JOHN M. ASHBROOK

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 27, 1961

Mr. ASHBROOK. Mr. Speaker, one of the most perceptive and objective reporters of the Washington scene, in my opinion, is Martha Rountree whose program, "Capitol Closeup," presents an illuminating commentary of the happenings here. Recently, she gave a particularly penetrating analysis of the current administration trade policies. I recommend it to the Members of the House:

CAPITOL CLOSEUP

(By Martha Rountree)

This is Martha Rountree in Washington. With Congress now adjourned until January, Washington is settling down to the real paperwork. But all will not be completely quiet on Capitol Hill—several investigations promise to be worthwhile.

Congress is gone, but by no means forgotten. Not all the lawmakers will be absent this fall, however. Two of the hottest congressional investigations in a long time are scheduled. The only thing that could happen to cause them not to live up to their billing would be an apathetic interest by the public. Both U.S. trade with Iron Curtain countries and the issue of the military indoctrination program, if pursued, may well answer a lot of urgent questions.

Though both of these investigations are vitally important to the security and well-

being of the United States, the Red trade investigation will point up the manner in which we have been helping the Soviets and the Soviet bloc to strengthen themselves economically and militarily through trade with the West.

Congressman WALTER JUDD, Republican, of Minnesota, said recently: "On several occasions during his campaign, John Kennedy promised to revise what he considered the sterile negative concepts that governed free world trade with the Communist bloc; and he has kept his word." Continued Judd: "Within 6 months, Mr. Kennedy has drastically altered American policies on trade with the enemy, so quietly that few realize the magnitude of his actions. He has created an entirely new atmosphere." And here we might point out that certain people over at the State Department have contended that commerce between East and West is actively promoted to ease world tensions.

Judd says: "The President has successfully pushed through the Senate several radical amendments to the Battle Act facilitating trade with the Soviet Union and its satellite empire; the Defense Department has been persuaded to overturn an earlier ruling that precision machine tools could not be exported to the U.S.S.R.; the Treasury Department has lifted its ban on the importation of Russian crabmeat; and a legal reinterpretation by Commerce Secretary Luther Hodges has opened the door for sale of below-cost surplus farm commodities to Iron Curtain nations."

Judd pointed out that in 2 days this summer, the Commerce Department approved 41 licenses for the sale of goods to Red bloc nations; 13 granted permission for export to the Soviet Union; 11 to Czechoslovakia; 9 to Yugoslavia; 4 to Rumania; 2 to Hungary; and 1 each to Poland and Bulgaria. Ruled nonstrategic in nature, and therefore approved for export, were all ball bearings, machine tools, power transmission systems, aircraft and automotive spare parts, electrical machinery, geophysical instruments and other industrial products and chemicals.

American firms are now being urged to import from the Red bloc, a matter of some concern to several old allies. It is known, for instance, that the Russians wish to export to this country asbestos, furs, lumber, pulp and paper, ferrous metals and alloys. Worried Canadians pointed out that the list reads almost like a rundown of Canada's main exports to the United States.

And, wound up Judd, "but to the bright young men who surround the President there are no two ways about trade with the Communist bloc. Commented one of them recently, 'What you can't realize is the effect these policies have on world tensions. It was time for us to take the initiative and we have. You can see the results yourself.' and so you can," concluded Judd.

Khrushchev has already written U.S. farm products into his plans for the future. He has promised his people free bread by October and said their diet would include more horse meat and American corn. We are told that Hard Red wheat shipped to the Soviets will cost the American taxpayer 62 cents a bushel at the port of shipment.

We were most interested in the statement earlier this week made by William Hamilton, Canadian Minister of Agriculture. He predicted a steadily increasing trade threat from the Soviet Union. To meet such subsidized competition, he said, the West must call on "the initiative, imagination, and sense of responsibility of freemen making free decisions." He also said that, "Our (Canada's) policy is simply to regain control of our national economic destiny."

It was less than a year ago—December 22, 1960, as a matter of fact—that Canada's

press and politicians let it be known that the U.S. dissatisfaction with the Castro regime was no reason for them to disrupt their normal economic and diplomatic relations with Cuba. (And that's a quote.) In fact we were criticized in Canada for our trade embargo as "mistaken strategy." Ottawa gave a warm welcome to the 10-man Cuban trade delegation which called on them last fall. Canada has traded freely with the Iron Curtain countries; she has kept the Red Chinese on their feet with her steady shipments of wheat. England and our other allies, like Canada, have aided the enemy through trade. Cuba has been able to get a good deal of U.S. merchandise from Canada. As a result, Canadian banks were the only ones not discriminated against when Castro took over. Canada last year said she was doing so well she no longer had to rely, as she had in the past, on foreign investments for the development of her resources—and slapped heavy tax penalties on U.S. investors. Of course, all of this was last December when politics was the climate. And the opposition party (out power) was selling nationalization. So Prime Minister John Diefenbaker's team had to attack somewhere and unfortunately it was us. But, with Diefenbaker's new vote of confidence, and with the political debris swept away, the Canadians no doubt are getting a good clean look at things again.

Let's hope that their concern over the Soviet trade threat will brush off on our other allies. A trade embargo by all the allies could go a long way toward settling the Red threat in general. In fact, if we and our allies joined together in a complete trade embargo, we might just come up with the only weapon for negotiation on a nuclear test ban. To the Soviets and their puppets, trading is a primary means through which they are attempting to obtain the machines and know-how to round out their industries, which in numerous areas are far behind Western industries and industrial know-how. A major reason they continue to lag behind in many areas, of course, is because they have devoted a large amount of their resources to such areas as the space field and missileery in a brazen effort to score a propaganda victory over the West.

Commented Senator THOMAS DODD recently: "We should employ a retaliatory trade embargo against the Communist world. If we use a real trade embargo against them," said Dodd, "it would help us and the free world no end."

It is something to think about.

Resolution Adopted by the American-Bulgarian League at its 18th Annual Convention in New York City on September 2-4, 1961

EXTENSION OF REMARKS

OF

HON. JACOB K. JAVITS

OF NEW YORK

IN THE SENATE OF THE UNITED STATES

Wednesday, September 27, 1961

Mr. JAVITS. Mr. President, I would like to call your attention to a resolution adopted by the American-Bulgarian League at its 18th annual convention in New York City on September 2-4, 1961, as it concerns the Communist threat.

I ask unanimous consent that there be printed in the Appendix of the RECORD the following resolution.